UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from _________ to _________.

Commission file number 1-13300

CAPITAL ONE FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	54-1719854
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2980 Fairview Park Drive, Suite 1300, Falls Church, Virginia	22042-4525
(Address of principal executive offices)	(Zip Code)

(703) 205-1000
(Registrant's telephone number, including area code)

(Not Applicable)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

As of October 31, 1996, there were 66,297,405 shares of the registrant's Common Stock, par value $.01 per share, outstanding.

CAPITAL ONE FINANCIAL CORPORATION
FORM 10-Q
INDEX

September 30, 1996

ITEM 1.

CAPITAL ONE FINANCIAL CORPORATION
Condensed Consolidated Balance Sheets
(dollars in thousands, except per share data) (unaudited)

	SEPTEMBER 30 1996	DECEMBER 31 1995
ASSETS		
Cash and due from banks	$ 155,474	$ 51,680
Federal funds sold	250,000	465,000
Interest-bearing deposits at other banks	376,050	355,780
Cash and cash equivalents	781,524	872,460
Securities available for sale	684,989	413,016
Consumer loans held for securitization	1,300,000	400,000
Consumer loans	3,162,008	2,521,679
Less: Allowance for loan losses	(92,500)	(72,000)
Net loans	3,069,508	2,449,679
Premises and equipment, net	164,630	139,074
Interest receivable	40,694	55,573
Accounts receivable from securitizations	483,239	359,379
Other assets	68,510	70,140
Total assets	$ 6,593,094	$ 4,759,321
LIABILITIES		
Interest-bearing deposits	$ 1,294,695	$ 696,037
Other short-term borrowings	716,492	809,803
Bank notes	3,363,123	2,491,869
Deposit notes	299,996	
Interest payable	56,696	73,931
Other liabilities	160,813	88,490
Total liabilities	5,891,815	4,160,130
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.01 per share; authorized 50,000,000 shares, none issued or outstanding		
Common stock, par value $.01 per share; authorized 300,000,000 shares, 66,286,645 and 66,174,567 issued and outstanding at September 30, 1996 and December 31, 1995, respectively	663	662
Paid-in capital, net	476,921	469,830
Retained earnings	223,695	128,699
Total stockholders' equity	701,279	599,191
Total liabilities and stockholders' equity	$ 6,593,094	$ 4,759,321

See notes to condensed consolidated financial statements.

CAPITAL ONE FINANCIAL CORPORATION
Condensed Consolidated Statements of Income
(dollars in thousands, except per share data) (unaudited)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1996	1995	1996	1995
INTEREST INCOME:				
Consumer loans, including fees	$ 170,593	$ 114,093	$ 408,107	$ 281,848
Federal funds sold	3,885	6,035	16,349	19,300
Other	13,757	8,785	34,674	21,264
Total interest income	188,235	128,913	459,130	322,412
INTEREST EXPENSE:				
Deposits	16,569	14,360	40,143	36,293
Other short-term borrowings	7,535	14,765	21,450	52,072
Bank and deposit notes	57,477	40,127	145,622	91,090
Total interest expense	81,581	69,252	207,215	179,455
Net interest income	106,654	59,661	251,915	142,957
Provision for loan losses	53,933	18,652	104,211	44,548
Net interest income after provision for loan losses	52,721	41,009	147,704	98,409
NON-INTEREST INCOME:				
Servicing	109,549	98,193	346,850	299,488
Service charges	72,983	23,555	141,641	60,816
Interchange	14,847	9,449	37,264	23,652
Other	9,337	5,663	22,708	17,853
Total non-interest income	206,716	136,860	548,463	401,809
NON-INTEREST EXPENSE:				
Salaries and associate benefits	57,562	36,648	151,493	98,090
Solicitation	60,177	34,267	154,434	109,474
Communications and data processing	20,251	15,438	55,070	46,913
Supplies and equipment	15,486	11,388	42,269	29,713
Occupancy	5,692	3,246	14,711	9,812
Other	37,655	23,821	94,630	67,594
Total non-interest expense	196,823	124,808	512,607	361,596
Income before income taxes	62,614	53,061	183,560	138,622
Income taxes	23,793	19,113	68,543	49,919
Net income	$ 38,821	$ 33,948	$ 115,017	$ 88,703
Earnings per share	$ .58	$ .51	$ 1.72	$ 1.33
Weighted average common and common equivalent shares outstanding	67,058,129	66,726,983	67,021,722	66,701,943
Dividends paid per share	$ .08	$ .08	$ .24	$ .16

See notes to condensed consolidated financial statements.

CAPITAL ONE FINANCIAL CORPORATION
Condensed Consolidated Statements of Changes in Stockholders' Equity
(dollars in thousands, except per share data) (unaudited)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PAID-IN CAPITAL, NET	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
Balance, December 31, 1994	66,067,250	$ 661	$ 462,844	$ 11,052	$ 474,557
Net income				88,703	88,703
Cash dividends - $.16 per share				(10,586)	(10,586)
Issuance of common stock	40,621	1	780		781
Exercise of stock options	6,582		132		132
Restricted stock grants	35,715				
Amortization of deferred compensation			2,997		2,997
Change in unrealized gains on securities available for sale, net of income taxes of $2,342				4,349	4,349
BALANCE, SEPTEMBER 30, 1995	66,150,168	$ 662	$ 466,753	$ 93,518	$ 560,933
Balance, December 31, 1995	66,174,567	$ 662	$ 469,830	$ 128,699	$ 599,191
Net income				115,017	115,017
Cash dividends - $.24 per share				(15,397)	(15,397)
Issuance of common stock	104,126	1	2,179		2,180
Exercise of stock options	8,616		139		139
Tax benefit from stock awards			261		261
Restricted stock, net	(664)		162		162
Common stock issuable under incentive plan			4,350		4,350
Other				(8)	(8)
Change in unrealized gains on securities available for sale, net of income taxes of $2,486				(4,616)	(4,616)
BALANCE, SEPTEMBER 30, 1996	66,286,645	$ 663	$ 476,921	$ 223,695	$ 701,279

See notes to condensed consolidated financial statements.

CAPITAL ONE FINANCIAL CORPORATION
Condensed Consolidated Statements of Cash Flows
(dollars in thousands) (unaudited)

	NINE MONTHS ENDED SEPTEMBER 30	
	1996	1995
OPERATING ACTIVITIES:		
Net income	$ 115,017	$ 88,703
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for loan losses	104,211	44,548
Depreciation and amortization	31,214	23,438
Stock compensation plans	4,512	2,997
Decrease (increase) in interest receivable	14,879	(16,729)
Increase in accounts receivable from securitizations	(123,860)	(251,685)
Increase in other assets	(1,901)	(9,931)
(Decrease) increase in interest payable	(17,235)	38,782
Increase in other liabilities	72,323	90,693
Net cash provided by operating activities	199,160	10,816
INVESTING ACTIVITIES:		
Purchases of securities available for sale	(516,884)	(403,218)
Proceeds from maturities of securities available for sale	240,040	100,000
Proceeds from securitization of credit card loans	1,445,000	2,775,000
Net increase in consumer loans	(3,079,014)	(3,610,944)
Recoveries of loans previously charged off	9,974	9,533
Additions of premises and equipment, net	(52,731)	(44,589)
Net cash used for investing activities	(1,953,615)	(1,174,218)
FINANCING ACTIVITIES:		
Net increase in interest-bearing deposits	598,658	477,833
Net decrease in other short-term borrowings	(93,311)	(1,095,385)
Issuances of bank and deposit notes	1,757,750	2,469,869
Maturities of bank and deposit notes	(586,500)	
Proceeds from exercise of stock options	139	132
Net proceeds from issuance of common stock	2,180	781
Dividends paid	(15,397)	(10,586)
Net cash provided by financing activities	1,663,519	1,842,644
(Decrease) increase in cash and cash equivalents	(90,936)	679,242
Cash and cash equivalents at beginning of period	872,460	406,880
Cash and cash equivalents at end of period	$ 781,524	$ 1,086,122

See notes to condensed consolidated financial statements.

CAPITAL ONE FINANCIAL CORPORATION
Notes to Condensed Consolidated Financial Statements
September 30, 1996
(dollars in thousands, except per share data) (unaudited)

NOTE A: BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Capital One Financial Corporation (the "Corporation") and its subsidiaries. The Corporation is a holding company whose subsidiaries provide a variety of products to consumers. Capital One Bank (the "Bank") offers credit card products and Capital One, F.S.B. provides certain consumer lending and deposit services. The Corporation and its subsidiaries are collectively referred to as the "Company".

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 1996 are not necessarily indicative of the results for the year ending December 31, 1996. The notes to the consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 1995 should be read in conjunction with these condensed consolidated financial statements. Certain prior period amounts have been reclassified to conform to the 1996 presentation.

NOTE B: SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash paid for interest for the nine months ended September 30, 1996 and 1995 was $224,450 and $140,673, respectively. Cash paid for income taxes for the nine months ended September 30, 1996 and 1995 was $64,675 and $46,727, respectively.

EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of common and common equivalent shares outstanding, including dilutive stock options and restricted stock.

NOTE C: BORROWINGS

The Company funds itself with a combination of interest bearing deposits, short-term borrowings, bank and deposit notes. In addition, the Corporation filed a registration statement on Form S-3 with the Securities and Exchange Commission for the issuance from time to time of up to $200 million aggregate principal amount of senior and subordinated debt, preferred stock and common stock. The registration statement was declared effective on September 25, 1996.

NOTE D: STOCK PLANS

The Company has determined that it will continue to account for associate stock-based compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and accordingly, will adopt the disclosure provisions of SFAS No. 123, "Accounting for Stock Based Compensation."

NOTE E: COMMITMENTS AND CONTINGENCIES

During 1995, the Corporation and the Bank became involved in three purported class action suits relating to certain collection practices engaged in by Signet Bank and, subsequently, by the Bank. The complaints in these three cases allege that Signet Bank, the Corporation and/or the Bank violated a variety of federal and state statutes and constitutional and common law duties by filing collection lawsuits, obtaining judgements and pursuing garnishment proceedings in the Virginia state courts against defaulted credit card customers who were not residents of Virginia. These cases have been filed in the Superior Court of California in the County of Alameda, Southern Division, on behalf of a class of California residents, in the United States District Court for the District of Connecticut on behalf of a nationwide class, and in the United States District Court for the Middle District of Florida on behalf of a nationwide class (except for California). The complaints in these three cases seek unspecified statutory damages, compensatory damages, punitive damages, restitution, attorneys' fees and costs, a permanent injunction and other equitable relief.

On July 31, 1996, the Florida case was dismissed without prejudice, which permits further proceedings. The plaintiff has since noticed her appeal to the United States Court of Appeals for the Eleventh Circuit and refiled certain claims arising out of state law in Florida state court.

On September 30, 1996, the Connecticut court entered judgement in favor of the Bank on plaintiff's federal claims and dismissed without prejudice plaintiff's state law claims. The plaintiff has refiled, on behalf of a class of Connecticut residents, her claims arising out of state law in a Connecticut state court.

In connection with the transfer of substantially all of Signet Bank's credit card business to the Bank in November 1994, the Corporation and the Bank agreed to indemnify Signet Bank for certain liabilities incurred in litigation arising from that business, which may include liabilities, if any, incurred in the three purported class action cases described above. Because no specific measure of damages is demanded in any of the complaints and each of these cases is in early stages of litigation, an informed assessment of the ultimate outcome of these cases cannot be made at this time. Management believes, however, that there are meritorious defenses to these lawsuits and intends to defend them vigorously.

The Company is commonly subject to various other pending and threatened legal actions arising from the conduct of its normal business activities. In the opinion of management of the Company, the ultimate aggregate liability, if any, arising out of any pending or threatened action will not have a material adverse effect on the consolidated financial condition of the Company. At the present time, however, management is not in a position to determine whether any pending or threatened litigation will have a material adverse effect on the Company's results of operations in any future reporting period.

NOTE F: RECENT ACCOUNTING PRONOUNCEMENTS

In June 1996, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes the accounting for certain financial asset transfers, including securitization transactions, and will become effective for transactions entered into on or after January 1, 1997. The Company is currently evaluating the impact, if any, of SFAS No. 125 on the Company's future results of operations and financial condition.

ITEM 2.

CAPITAL ONE FINANCIAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

Capital One Financial Corporation (the "Corporation") is a holding company whose subsidiaries provide a variety of products to consumers. Capital One Bank (the "Bank") offers credit card products and Capital One, F.S.B. (the "Savings Bank") provides certain consumer lending and deposit services. The Corporation and its subsidiaries are collectively referred to as the "Company". The Company is one of the largest providers of MasterCard and Visa credit cards in the United States. At September 30, 1996, the Company had 8.2 million customers and $12.1 billion in managed loans outstanding. The Company's profitability is affected by the net interest margin and non-interest income earned on earning assets, customer usage patterns, credit quality, solicitation expenses and operating costs.

EARNINGS SUMMARY

Net income for the three months ended September 30, 1996 of $38.8 million, or $.58 per share, compares to net income of $33.9 million, or $.51 per share, for the same period in 1995.

The increase in net income is primarily a result of an increase in both asset volumes and rates. Net interest income increased $47.0 million, or 79%, as average earning assets increased 22% and the net interest margin increased to 8.23% from 5.60%. The provision for loan losses increased $35.3 million, as average loans increased 19%, the reported net charge-off rate increased to 3.45% from 2.30% and the reported delinquency rate increased to 6.58% from 4.67%. Non-interest income increased $69.9 million, or 51%, primarily as a result of the increase in average managed loans of 19%, a shift to more fee-based products and a change in the timing and amount of certain fees charged. Increases in solicitation expense of $25.9 million, or 76%, and other non-interest expense of $46.1 million, or 51%, reflect the increase in marketing investment in existing and new product opportunities and the cost of operations to manage the growth in accounts.

Net income for the nine months ended September 30, 1996 of $115.0 million, or $1.72 per share, compares to net income of $88.7 million, or $1.33 per share, for the same period in 1995. This 30% increase primarily reflects the growth in loans and accounts and an improvement in the net interest margin and non-interest income described above. Each component of net income is discussed in further detail in subsequent sections of this analysis.

MANAGED LOAN PORTFOLIO

The Company analyzes its financial performance on a managed loan portfolio basis. Managed loan data adjusts the income statement and balance sheet to add back the effect of securitized loans. Increases or decreases in the interest paid by the Company on variable rate securitizations generally are offset by corresponding increases or decreases in the amount of excess servicing income the Company receives. The Company evaluates its interest rate exposure on a managed portfolio basis.

The Company's managed loan portfolio is comprised of on-balance sheet consumer loans, consumer loans held for securitization and securitized consumer loans. Securitized loans are not assets of the Company and, therefore, are not shown on the balance sheet. Table 1 summarizes the Company's managed loan portfolio.

TABLE 1 - MANAGED LOAN PORTFOLIO

	SEPTEMBER 30	
(dollars in thousands)	1996	1995
PERIOD-END BALANCES:		
Consumer loans held for securitization	$1,300,000	$600,000
On-balance sheet consumer loans	3,162,008	2,412,318
Securitized consumer loans	7,679,032	7,189,094
Total managed loan portfolio	$12,141,040	$10,201,412

	THREE MONTHS ENDED SEPTEMBER 30	
(dollars in thousands)	1996	1995
AVERAGE BALANCES:		
Consumer loans held for securitization	$993,478	$436,954
On-balance sheet consumer loans	2,961,643	2,896,726
Securitized consumer loans	7,625,933	6,358,967
Total managed loan portfolio	$11,581,054	$9,692,647

	NINE MONTHS ENDED SEPTEMBER 30	
(dollars in thousands)	1996	1995
AVERAGE BALANCES:		
Consumer loans held for securitization	$599,270	$348,534
On-balance sheet consumer loans	2,718,262	2,515,451
Securitized consumer loans	7,547,108	5,825,655
Total managed loan portfolio	$10,864,640	$8,689,640

Since 1990, the Company has actively engaged in credit card loan securitization transactions which are treated as sales under generally accepted accounting principles. For securitized loans, amounts that would previously have been reported as interest income, interest expense, service charges and provision for loan losses are instead included in non-interest income as servicing income. Because credit losses are absorbed against servicing income over the life of these transactions such income may vary depending upon the credit performance of the securitized loans. However, exposure to credit losses on the securitized loans is contractually limited to these cash flows.

In June 1996, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes the accounting for certain financial asset transfers, including securitization transactions, and will become effective for transactions entered into on or after January 1, 1997. The Company is currently evaluating the impact, if any, of SFAS No. 125 on the Company's future results of operations and financial condition.

Table 2 indicates the impact of the credit card securitizations on the income statement, average assets, return on average assets and net interest margin for the periods presented. The Company intends to continue to securitize credit card loans.

TABLE 2 - IMPACT OF CREDIT CARD SECURITIZATIONS

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
(dollars in thousands)	1996	1995	1996	1995
STATEMENTS OF INCOME (AS REPORTED):				
Net interest income	$ 106,654	$ 59,661	$ 251,915	$ 142,957
Provision for loan losses	53,933	18,652	104,211	44,548
Non-interest income	206,716	136,860	548,463	401,809
Non-interest expense	196,823	124,808	512,607	361,596
Income before income taxes	62,614	53,061	183,560	138,622
ADJUSTMENTS FOR SECURITIZATIONS:				
Net interest income	160,581	102,934	479,007	300,153
Provision for loan losses	87,286	37,877	236,693	97,778
Non-interest income	(73,295)	(65,057)	(242,314)	(202,375)
Non-interest expense	-	-	-	-
Income before income taxes	-	-	-	-
MANAGED STATEMENTS OF INCOME (AS ADJUSTED):				
Net interest income	267,235	162,595	730,922	443,110
Provision for loan losses	141,219	56,529	340,904	142,326
Non-interest income	133,421	71,803	306,149	199,434
Non-interest expense	196,823	124,808	512,607	361,596
Income before income taxes	$ 62,614	$ 53,061	$ 183,560	$ 138,622
OPERATING DATA AND RATIOS:				
REPORTED:				
Average earning assets	$ 5,182,877	$ 4,259,858	$ 4,491,002	$3,717,076
Return on average assets	2.55%	2.74%	2.94%	2.80%
Net interest margin(1)	8.23%	5.60%	7.48%	5.13%
MANAGED:				
Average earning assets	$12,808,810	$10,618,825	$12,038,110	$9,542,731
Return on average assets	1.13%	1.20%	1.20%	1.18%
Net interest margin(1)	8.35%	6.12%	8.10%	6.19%
YIELD ON MANAGED PORTFOLIO	15.14%	12.95%	14.71%	13.02%

(1) Net interest margin is equal to net interest income divided by average earning assets.

NET INTEREST INCOME

Net interest income is interest and past-due fees earned from the Company's loans and securities less interest expense on borrowings, which includes certificates of deposit in denominations of $100,000 or greater ("large denomination CDs"), federal funds purchased, borrowings from banks and bank and deposit notes.

Net interest income for the three months ended September 30, 1996, was $106.7 million compared to $59.7 million for the same period in 1995, representing an increase of $47.0 million, or 79%. For the nine months ended September 30, 1996, net interest income was $251.9 million compared to $143.0 million for the same period in 1995, representing an increase of $109.0 million, or 76%. Net interest income increased as a result of growth in earning assets and an increase in net interest margin. Average earning assets increased 22% and 21% for the three and nine months ended September 30, 1996, respectively, versus the same periods in 1995. The yield on earning assets increased 243 and 206 basis points for the three and nine months ended September 30, 1996, respectively, to 14.53% from 12.10% and to 13.63% from 11.57%, as compared to the same periods in the prior year. The increases were primarily attributable to a 356 and a 328 basis point increase in the yield on consumer loans for the three and nine months ended September 30, 1996, respectively, to 17.25% from 13.69% and to 16.40% from 13.12%, as compared to the same periods in the prior year. The yield on consumer loans increased due to the repricing of introductory rate loans to higher rates in accordance with their respective terms over the past year, changes in product mix and the increase in the amount of past-due fees charged from both a change in terms and as the delinquency rate increased. An additional factor for the increased net interest margin was the decrease in average rates paid on borrowed funds for the three and nine months ended September 30, 1996 to 6.36% from 6.63% and to 6.35% from 6.76%, respectively, as compared to the same periods in 1995. These decreases primarily reflect decreases in short-term market rates from period to period.

The managed net interest margin for the three and nine months ended September 30, 1996 increased to 8.35% from 6.12% and to 8.10% from 6.19%, respectively, as compared to the same periods in the prior year. This increase was primarily the result of a 219 and a 169 basis point increase in loan yield for the three and nine months ended September 30, 1996, respectively, and a reduction of 39 and 54 basis points in borrowing costs for the same periods, respectively, as compared to the same periods in the prior year. The increase in loan yield to 15.14% and 14.71% for the three and nine months ended September 30, 1996, respectively, from 12.95% and 13.02% for the same periods in 1995, principally reflects the repricing of introductory rate loans, changes in product mix and the increase in past-due fees charged on delinquent accounts as noted above. Additionally, the decrease in average rates paid on managed interest-bearing liabilities to 5.91% and 5.81% for the three and nine months ended September 30, 1996, respectively, versus 6.30% and 6.35% during the same periods in 1995, reflects decreases in short-term market rates from period to period.

Table 3 provides average balance sheet data, an analysis of net interest income, net interest spread (the difference between the yield on earning assets and the cost of interest-bearing liabilities) and net interest margin for the three and nine months ended September 30, 1996 and 1995.

TABLE 3 - STATEMENTS OF AVERAGE BALANCES, INCOME AND EXPENSE, YIELDS AND RATES

THREE MONTHS ENDED SEPTEMBER 30						
(dollars in thousands)	1996			1995		
	AVERAGE BALANCE	INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INCOME/ EXPENSE	YIELD/ RATE
ASSETS:						
Earning assets						
Consumer loans(1)	$3,955,121	$170,593	17.25%	$3,333,680	$ 114,093	13.69%
Federal funds sold	281,598	3,885	5.52	406,256	6,035	5.94
Other securities	946,158	13,757	5.82	519,922	8,785	6.76
Total earning assets	5,182,877	$188,235	14.53%	4,259,858	$ 128,913	12.10%
Cash and due from banks	30,405			9,178		
Allowance for loan losses	(80,830)			(70,396)		
Premises and equipment, net	160,140			118,845		
Other assets	799,109			646,804		
Total assets	$6,091,701			$4,964,289		
LIABILITIES AND EQUITY:						
Interest-bearing liabilities						
Deposits	$1,234,066	$ 16,569	5.37%	$ 899,706	$ 14,360	6.38%
Other short-term borrowings	465,596	7,535	6.47	956,075	14,765	6.18
Bank and deposit notes	3,434,769	57,477	6.69	2,321,784	40,127	6.91
Total interest-bearing liabilities	5,134,431	$ 81,581	6.36%	4,177,565	$ 69,252	6.63%
Other liabilities	259,028			231,984		
Total liabilities	5,393,459			4,409,549		
Equity	698,242			554,740		
Total liabilities and equity	$6,091,701			$4,964,289		
Net interest spread			8.17%			5.47%
Interest income to average earning assets			14.53%			12.10%
Interest expense to average earning assets			6.30			6.50
Net interest margin			8.23%			5.60%

(1) Interest income includes past-due fees on loans of $30,198 and $13,371 for the three months ended September 30, 1996 and 1995, respectively.

(dollars in thousands)	1996 AVERAGE BALANCE	1996 INCOME/ EXPENSE	1996 YIELD/ RATE	1995 AVERAGE BALANCE	1995 INCOME/ EXPENSE	1995 YIELD/ RATE
	NINE MONTHS ENDED SEPTEMBER 30					
ASSETS:						
Earning assets						
Consumer loans(1)	$3,317,532	$ 408,107	16.40%	$2,863,985	$ 281,848	13.12%
Federal funds sold	404,953	16,349	5.38	432,999	19,300	5.94
Other securities	768,517	34,674	6.02	420,092	21,264	6.75
Total earning assets	4,491,002	$ 459,130	13.63%	3,717,076	$ 322,412	11.57%
Cash and due from banks	14,590			5,086		
Allowance for loan losses	(76,264)			(68,541)		
Premises and equipment, net	151,845			113,592		
Other assets	640,089			464,122		
Total assets	$5,221,262			$4,231,335		
LIABILITIES AND EQUITY:						
Interest-bearing liabilities						
Deposits	$ 961,515	$ 40,143	5.57%	$ 745,160	$ 36,293	6.49%
Other short-term borrowings	449,256	21,450	6.37	1,059,408	52,072	6.55
Bank and deposit notes	2,941,689	145,622	6.60	1,732,747	91,090	7.01
Total interest-bearing liabilities	4,352,460	$ 207,215	6.35%	3,537,315	$ 179,455	6.76%
Other liabilities	211,059			166,737		
Total liabilities	4,563,519			3,704,052		
Equity	657,743			527,283		
Total liabilities and equity	$5,221,262			$4,231,335		
Net interest spread			7.28%			4.81%
Interest income to average earning assets			13.63%			11.57%
Interest expense to average earning assets			6.15			6.44
Net interest margin			7.48%			5.13%

(1) Interest income includes past-due fees on loans of $65,208 and $34,445 for the nine months ended September 30, 1996 and 1995, respectively.

INTEREST VARIANCE ANALYSIS

Net interest income is affected by changes in the average interest rate earned on earning assets and the average interest rate paid on interest-bearing liabilities. In addition, net interest income is affected by changes in the volume of earning assets and interest-bearing liabilities. Table 4 sets forth the dollar amount of the increase (decrease) in interest income and interest expense resulting from changes in the volume of earning assets and interest-bearing liabilities and from changes in yields and rates for the three and nine months ended September 30, 1996 versus the comparable periods in the prior year.

TABLE 4 - INTEREST VARIANCE ANALYSIS

	THREE MONTHS ENDED SEPTEMBER 30, 1996 VS 1995			NINE MONTHS ENDED SEPTEMBER 30, 1996 VS 1995		
	INCREASE	CHANGE DUE TO*		INCREASE	CHANGE DUE TO*	
(dollars in thousands)	(DECREASE)	VOLUME	RATE	(DECREASE)	VOLUME	RATE
INTEREST INCOME						
Consumer loans	$56,500	$23,579	$32,921	$126,259	$ 48,961	$ 77,298
Federal funds sold	(2,150)	(1,745)	(405)	(2,951)	(1,202)	(1,749)
Other securities	4,972	6,343	(1,371)	13,410	15,942	(2,532)
Total interest income	59,322	30,839	28,483	136,718	73,583	63,135
INTEREST EXPENSE						
Deposits	2,209	4,743	(2,534)	3,850	9,529	(5,679)
Other short-term borrowings	(7,230)	(7,907)	677	(30,622)	(29,173)	(1,449)
Bank and deposit notes	17,350	18,663	(1,313)	54,532	60,132	(5,600)
Total interest expense	12,329	15,305	(2,976)	27,760	39,345	(11,585)
Net interest income*	$46,993	$14,844	$32,149	$108,958	$ 34,027	$ 74,931

*The change in interest due to volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of the change in each. The changes in income and expense are calculated independently for each line in the schedule. The totals for the volume and rate columns are not the sum of the individual lines.

SERVICING INCOME

Servicing income increased $11.4 and $47.4 million, or 12% and 16%, for the three and nine months ended September 30, 1996, respectively, from the same periods in 1995, primarily due to increases in net interest income on securitized loans offset by increased charge-offs on such loans. Average securitized loans increased 20% and 30% for the three and nine months ended September 30, 1996 compared to the same periods in the prior year. Net interest income on securitized loans increased $57.6 and $178.9 million, or 56% and 60%, for the three and nine months ended September 30, 1996, respectively, as a result of the loan growth and an increase in the securitized portfolio's net interest margin to 8.42% and 8.46% for the three and nine months ended September 30, 1996, respectively, from 6.47% and 6.87% for the same periods in the prior year. This increase in net interest margin is the result of an increase in yield on securitized loans of 148 and 99 basis points for the three and nine months ended September 30, 1996, respectively, as a result of repricing introductory rate accounts and a decrease for the same periods in the cost of funds on securitized loans of 47 and 60 basis points as short-term rates declined from the same periods in the prior year. Charge-offs on securitized loans for the three and nine months ended September 30, 1996 increased $49.4 and $138.9 million, respectively, or 131% and 142%, for the same periods compared to the prior year due to the increase in average securitized loans, an increase in the average age of accounts (generally referred to as "seasoning") and general economic trends in consumer credit performance.

OTHER NON-INTEREST INCOME

Other non-interest income increased 151% and 97%, to $97.2 and $201.6 million for the three and nine months ended September 30, 1996, compared to $38.7 and $102.3 million for the same periods in the prior year. The increase in other non-interest income was due to an increase in the average number of accounts of 35% and 28% for the three and nine months ended September 30, 1996, respectively, an increase in charge volume, a shift to more fee-based products and a change in the timing and amount of overlimit fees charged.

NON-INTEREST EXPENSE

Non-interest expense for the three and nine months ended September 30, 1996 was $196.8 and $512.6 million, respectively, an increase of 58% and 42% over $124.8 and $361.6 million, for the same periods in the prior year. Contributing to the increase in non-interest expense were solicitation expenses, which rose $25.9 and $45.0 million, or 76% and 41% for the three and nine months ended September 30, 1996, respectively, compared to the same periods in the prior year. This increase represents the Company's continued investment in new products and services (see "Business Outlook" for further discussion). All other non-interest expenses increased $46.1 and $106.1 million, or 51% and 42%, to $136.6 and $358.2 million for the three and nine months ended September 30, 1996, respectively, from $90.5 and $252.1 million in the same periods in the prior year. The increase in other non-interest expense was primarily a result of an increase in the average number of accounts of 35% and 28% for the three and nine months ended September 30, 1996, respectively, a product mix shift to more service intensive accounts, an increase in charge volume and an increase in certain costs associated with information systems enhancements.

INCOME TAXES

The Company's effective income tax rate increased to 38% and 37.34% for the three and nine months ended September 30, 1996, respectively, as compared to 36% for the same periods in 1995 and includes both state and federal income tax components. The increase in the effective tax rate is primarily the result of increased state tax expense as the Company expands its operations into multiple jurisdictions.

ASSET QUALITY

The asset quality of a portfolio is generally a function of the following: the initial underwriting criteria used, seasoning of the accounts, account management activities and geographic, demographic, or other forms of concentration, as well as general economic conditions. The average age of the accounts is an important indicator of the stability of delinquency and loss levels; a portfolio consisting of older accounts generally behaves more predictably than a newly generated portfolio. New accounts initially exhibit a rising trend of delinquency and credit losses which reaches a more steady state of delinquency and net losses generally within three years from origination.

DELINQUENCIES

Table 5 shows loan delinquency trends for the periods presented on a reported and managed loan basis. The entire balance of an account is contractually delinquent if the minimum payment is not received by the billing date. The Company generally continues to accrue interest until the loan is charged off.

TABLE 5 - DELINQUENCIES*

	SEPTEMBER 30			
	1996		1995	
(dollars in thousands)	LOANS	% of TOTAL LOANS	LOANS	% of TOTAL LOANS
REPORTED:				
Loans outstanding	$ 4,462,008	100.00%	$ 3,012,318	100.00%
Loans delinquent:				
30 - 59 days	102,732	2.30%	52,221	1.73%
60 - 89 days	63,781	1.43	31,526	1.05
90 or more days	127,139	2.85	57,022	1.89
Total	$ 293,652	6.58%	$ 140,769	4.67%
MANAGED:				
Loans outstanding	$12,141,040	100.00%	$10,201,412	100.00%
Loans delinquent:				
30 - 59 days	224,309	1.85%	134,142	1.31%
60 - 89 days	134,977	1.11	76,365	0.75
90 or more days	285,521	2.35	133,461	1.31
Total	$ 644,807	5.31%	$ 343,968	3.37%

*Includes credit card loans held for securitization.

The delinquency rate for reported loans was 6.58% at September 30, 1996, up from 4.67% for the same date in 1995 and up from 5.42% at June 30, 1996. The increase in the reported delinquency rate from September 30, 1995 to September 30, 1996 reflects seasoning of the Company's retained interests in securitization trusts, general economic trends in consumer credit performance and the fact that a significant portion of the non-balance transfer product portfolio, such as secured cards, affinity and co-branded cards, joint account cards, college student cards and other cards targeted to other non-balance transfer market segments, is included in reported loans. The Company's non-balance transfer products historically have higher delinquency rates than the typical balance transfer loans. In the case of secured card loans, collateral mitigates the increased risk and impact of charge-offs. The costs associated with higher delinquency and charge-off rates are considered in the pricing of individual products. The 116 basis point increase in the reported delinquency rate to 6.58% at September 30, 1996 from 5.42% at June 30, 1996 reflects the factors discussed above.

The delinquency rate for the managed loan portfolio was 5.31% at September 30, 1996, up from 3.37% for the same date in 1995 and up from 4.59% at June 30, 1996. The managed portfolio's delinquency rate at September 30, 1996 reflects the continued seasoning of accounts and loan balances, the increased presence of non-balance transfer products and general economic trends in consumer credit performance.

NET CHARGE-OFFS

Net charge-offs include the principal amount of losses (excluding accrued and unpaid finance charges, fees and fraud losses) less current period recoveries. Table 6 presents the Company's net charge-offs for the periods presented on a reported and managed basis.

TABLE 6 - NET CHARGE-OFFS*

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
(dollars in thousands)	1996	1995	1996	1995
REPORTED:				
Average loans outstanding	$ 3,955,121	$3,333,680	$ 3,317,532	$2,863,985
Net charge-offs	34,076	19,182	81,848	40,897
Net charge-offs as a percentage of average loans outstanding	3.45%	2.30%	3.29%	1.90%
MANAGED:				
Average loans outstanding	$11,581,054	$9,692,647	$10,864,640	$8,689,640
Net charge-offs	121,362	57,028	318,541	138,696
Net charge-offs as a percentage of average loans outstanding	4.19%	2.35%	3.91%	2.13%

*Includes consumer loans held for securitization.

Net charge-offs of managed loans increased $64.3 and $179.8 million, or 113% and 130%, for the three and nine months ended September 30, 1996 from the comparable periods in the prior year. For the three and nine months ended September 30, 1996, the Company's net charge-offs as a percentage of managed loans was 4.19% and 3.91%, respectively, compared to 2.35% and 2.13% for the same periods in the prior year. This increase in net charge-offs is the result of continued seasoning of the portfolio and general economic trends in consumer credit performance.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The provision for loan losses is the periodic expense of maintaining an adequate allowance at the amount estimated to be sufficient to absorb possible future losses, net of recoveries (including recovery of collateral), inherent in the existing on-balance sheet loan portfolio. In evaluating the adequacy of the allowance for loan losses, the Company takes into consideration several factors including economic trends and conditions, overall asset quality, loan seasoning and trends in delinquencies and expected charge-offs. The Company's primary guideline is a calculation which uses current delinquency levels and other measures of asset quality to estimate net charge-offs. Consumer loans are typically charged off when they are six months past-due, unless the customer is determined to be bankrupt, in which case the account is generally charged off within 30 days of verification. Once a loan is charged off, it is the Company's policy to continue to pursue the collection of principal and interest.

Management believes that the allowance for loan losses is adequate to cover anticipated losses in the on-balance sheet loan portfolio under current conditions. There can be no assurance as to the future credit losses that may be incurred in connection with the Company's loan portfolio, nor can there be any assurance that the loan loss allowance that has been established by the Company will be sufficient to absorb such future credit losses. The allowance is a general allowance applicable to the entire on-balance sheet loan portfolio. Table 7 sets forth the activity in the allowance for loan losses for the periods indicated.

TABLE 7 - SUMMARY OF ALLOWANCE FOR LOAN LOSSES

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
(dollars in thousands)	1996	1995	1996	1995
BALANCE AT BEGINNING OF PERIOD	$74,000	$70,516	$72,000	$68,516
Provision for loan losses	53,933	18,652	104,211	44,548
Net deduction arising in securitization transactions	(19,829)	(1,752)	(27,938)	(6,880)
Increase from consumer loan purchase	9,000		9,000	
Loans charged off	(28,114)	(20,129)	(74,747)	(45,201)
Recoveries of loans previously charged off	3,510	3,229	9,974	9,533
Net loans charged off*	(24,604)	(16,900)	(64,773)	(35,668)
BALANCE AT END OF PERIOD	$92,500	$70,516	$92,500	$70,516
Allowance for loan losses to loans at period-end*	2.93%	2.92%	2.93%	2.92%

*Excludes consumer loans held for securitization.

For the three and nine months ended September 30, 1996, the provision increased to $53.9 and $104.2 million, respectively, from $18.7 and $44.5 million in the comparable periods of the prior year. This increase is due to an increase in the average reported loan balance of 19% and 16%, to $4.0 and $3.3 billion for the three and nine months ended September 30, 1996, respectively, from $3.3 and $2.9 billion in the comparable periods of the prior year, increases in the net charge-off rate and the delinquency rate, as well as a shift in the composition of reported loans and seasoning of the portfolio. Growth in non-balance transfer products, which have historically higher charge-off rates than balance transfer products, increases the amount of provision necessary to absorb credit losses.

The allowance for loan losses increased an additional $9.0 million in the third quarter of 1996 in connection with the purchase of approximately $185 million of consumer loans from Signet Bank. This purchase represents the culmination of an agreement with Signet Bank and the former parent of the Company, Signet Banking Corporation, to hold consumer loans for the Company until it could establish subsidiaries authorized to hold and originate such loans.

LIQUIDITY AND FUNDING

Liquidity refers to the Company's ability to meet its cash needs. The Company meets its cash requirements by securitizing assets and by debt funding. A significant source of liquidity for the Company has been the securitization of credit card loans. Maturity terms of the existing securitizations vary from 1996 to 2001 and typically have accumulation periods during which principal payments are aggregated to make payments to investors. As payments on the loans are accumulated for the participants in the securitization and are no longer reinvested in new loans, the Company's funding requirements for such new loans increase accordingly. The occurrence of certain events may cause the securitization transactions to amortize earlier than scheduled which would accelerate the need for funding.

As such loans amortize or are otherwise paid, the Company's funding needs will increase accordingly. The Company believes that it can securitize credit card loans, purchase federal funds and establish other funding sources to fund the amortization or other payment of the securitizations in the future, although no assurance can be given to that effect.

The Company maintains a portfolio of high-quality securities such as U.S. Government, U.S. Government agency mortgage-backed securities, Eurodollar time deposits, federal funds and other cash equivalents in order to provide adequate liquidity and to meet its on-going cash needs. At September 30, 1996, the Company held $1.5 billion in such securities.

Interest-bearing liabilities increased $0.9 billion, or 18%, to $5.7 billion at September 30, 1996 from $4.8 billion at June 30, 1996. The increase is primarily the result of an increase in other short-term borrowings and bank and deposit notes of $457 and $329 million, respectively, from June 30, 1996 to September 30, 1996 and reflects the need for funding the quarter's loan growth.

Table 8 shows the maturation of large denomination CDs at September 30, 1996

TABLE 8 - MATURITIES OF DOMESTIC LARGE DENOMINATION CDS OF $100,000 OR MORE

	SEPTEMBER 30, 1996	
(dollars in thousands)	BALANCE	PERCENT
3 months or less	$722,549	84.77%
Over 3 through 6 months	57,063	6.69
Over 6 through 12 months	72,774	8.54
Total	$852,386	100.00%

In additon to large denomination CD's, retail deposits of $442 million have been raised through the Savings Bank as an additional source of Company funding.

The Company also had $70 million outstanding on its $1.715 billion revolving credit arrangement. The additional unused commitment is available as funding needs may arise.

On April 30, 1996, the Bank amended and restated its existing $3.5 billion bank note program. Under the amended bank note program, the Bank may issue from time to time up to $4.5 billion of senior bank notes with maturities from 30 days to 30 years and up to $200 million of subordinated bank notes with maturities from 5 to 30 years. At September 30, 1996, the Company had $3.4 billion in senior bank notes outstanding. As of September 30, 1996, no subordinated bank notes have been issued.

Also on April 30, 1996, the Bank established a deposit note program under which the Bank may issue from time to time up to $2.0 billion of deposit notes with maturities from 30 days to 30 years from the date of issue. At September 30, 1996, the Company had $300 million in deposit notes outstanding.

In addition, the Corporation filed a registration statement on Form S-3 with the Securities and Exchange Commission for the issuance from time to time of $200 million aggregate principal amount of senior and subordinated debt and preferred and common stock, which was declared effective on September 25, 1996. As of September 30, 1996, no debt or stock has been issued under this registration statement.

In January 1996, the Company implemented a dividend reinvestment and stock purchase plan (the "DRIP") to provide existing stockholders with the opportunity to purchase additional shares of the Company's common stock by reinvesting quarterly dividends or making optional cash investments. The Company uses proceeds from the DRIP for general corporate purposes.

CAPITAL ADEQUACY

At September 30, 1996, the Bank's risk-based Tier I capital ratio was 10.61%, its risk-based total capital ratio was 11.86% and its Tier I leverage ratio was 8.95%. The Bank's ratio of common equity to managed assets was 4.99%. The Company anticipates maintaining a strong capital position. The Bank is subject to the capital adequacy guidelines adopted by the Federal Reserve Board. At September 30, 1996, the Bank exceeded the requirements of a "well-capitalized" institution as defined in the Federal Deposit Insurance Corporation Improvement Act of 1991.

During 1996, the Bank received final regulatory approval to establish a branch office in the United Kingdom. In connection with such approval, the Company committed to the Federal Reserve Board that, for so long as the Bank maintains such branch in the United Kingdom, the Company will maintain a minimum Tier I leverage ratio of 3.0%. At September 30, 1996, the Company's Tier I leverage ratio was 11.46%.

The Savings Bank is subject to capital adequacy guidelines adopted by the Office of Thrift Supervision. At September 30, 1996, the Savings Bank's tangible capital ratio was 8.00%, its risk-based capital ratio was 13.69% and its leverage ratio was 8.00%. At September 30, 1996, the Savings Bank also exceeded the requirements of a "well-capitalized" institution as defined in the Federal Deposit Insurance Corporation Improvement Act of 1991.

OFF-BALANCE SHEET RISK

The Company is subject to off-balance sheet risk in the normal course of business including commitments to extend credit, excess servicing income from securitization and interest rate swap agreements ("swaps"). In order to reduce interest rate sensitivity and to match asset and liability repricings, the Company has entered into swaps which involve elements of credit or interest rate risk in excess of the amount recognized on the balance sheet. Swaps present the Company with certain credit, market, legal and operational risks. The Company has established credit policies to manage these risks.

At September 30, 1996, the Company had $2.1 billion in notional amount of swaps to match asset and liability repricings, the majority of which reduce exposure relating to the mismatch of quarterly repricing consumer loan assets and medium-term fixed rate bank notes. The fair value, based on the forward yield curve, at September 30, 1996 of swap positions for which the Company is exposed to credit risk from counterparties is $32.9 million. Tables 9 and 10 reflect the maturity and activity of swap positions, respectively, at September 30, 1996 and for the three and nine months then ended.

TABLE 9 - MATURITY OF INTEREST RATE SWAPS

	SEPTEMBER 30, 1996			
(dollars in millions)	WITHIN ONE YEAR	OVER ONE TO FIVE YEARS	TOTAL	AVERAGE LIFE (YEARS)
INTEREST RATE SWAPS:				
RECEIVE FIXED/PAY FLOATING:				
Notional amount	$1,024	$1,080	$2,104	1.40
Weighted average rates received	7.38%	7.52%	7.45%	
Weighted average rates paid	5.53%	5.57%	5.55%	

Weighted average rates received and paid are based on the contractual rates in effect at September 30, 1996. Floating rates under the interest rate swap contracts are based on varying terms of LIBOR.

TABLE 10 - SUMMARY OF INTEREST RATE SWAPS

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1996	1995	1996	1995
(dollars in millions)	NOTIONAL AMOUNT		NOTIONAL AMOUNT	
RECEIVE FIXED/PAY FLOATING:				
Beginning of period	$2,104	$2,144	$2,144	$ 539
Additions				1,605
Maturities			40	
End of period	$2,104	$2,144	$2,104	$2,144
RECEIVE FLOATING/PAY FLOATING:				
Beginning of period	$ 260	$ 260	$ 260	
Additions				$ 260
Maturities	260		260	
End of period	$	$ 260	$	$ 260

BUSINESS OUTLOOK

This business outlook section summarizes the Company's expectations for earnings for the year ending December 31, 1996 and its primary goals and strategies for continued growth. The statements contained in this section are based on management's current expectations. Certain of the statements are forward looking statements, and actual results could differ materially. Factors which could materially influence results are set forth in the last paragraph of this section and in the Company's Annual Report on Form 10-K for the year ended December 31, 1995 (Part I, Item I, Cautionary Statements).

Consistent with Company targets, the Company expects that earnings per share for the year ending December 31, 1996, will increase by approximately 20% over earnings per share for the year ended December 31, 1995 and will result in a return on equity in excess of 20%.

The Company's strategy for future growth has been, and it is expected will continue to be, to apply its proprietary information-based strategy ("IBS") to its credit card business as well as to other businesses, both financial and non-financial, to identify new product opportunities. See the Company's Annual Report on Form 10-K for the year ended December 31, 1995 for a further description of the Company's IBS (Part I, Item 1, Business). Coincident with its growth strategy, the Company expects to increase substantially its marketing (solicitation) expenses in 1996, as compared to 1995, and to invest in new products or services that management believes will produce above 20% target earnings growth and return on equity.

Historically, the Company has concentrated its efforts on credit card opportunities. These opportunities have included, and it is expected will continue to include, various low-rate balance transfer products, as well as other non-balance transfer credit card products. Generally, these non-balance transfer credit card products tend to have lower credit lines, balances that build over time, less attrition, higher margins (including fees), higher operational costs and, in some cases, higher delinquencies and credit losses than the Company's traditional low-rate balance transfer products. In general, these non-balance transfer products have overall higher returns than the traditional balance transfer products in current market conditions. The Company uses its IBS in an effort to balance the mix of credit card products to optimize profitability within the context of acceptable risk. The Company expects that its growth in credit card accounts and managed loans outstanding will continue through calendar year 1996, although at a more moderate pace, with a mix of balance transfer and non-balance transfer products. Actual growth quarter over quarter and year over year may vary, however, as the Company plans to remain flexible in the allocation of marketing expenses spent on specific products to take advantage of market opportunities as they emerge.

The Company also has been applying, and expects to continue applying, its IBS to other financial products and non-financial products. The Company has established the Savings Bank and several non-bank operating subsidiaries to identify and explore new product opportunities. The Company is in various stages of developing and test marketing a number of new products or services, including but not limited to selected non-card consumer lending products and the reselling of telecommunication services. During the third quarter 1996, the Company allocated an increased percentage of its marketing expenses to non-card products or services. To date, only a relatively small dollar volume of assets and a relatively small number of accounts have been generated as a result of such expenditures. As the Company continues to apply its IBS to non-card opportunities and builds the infrastructure necessary to support new businesses, an increased percentage of the Company's marketing and operating expenses may be attributable to such businesses.

The Company expects to maintain a flexible approach to its marketing investment. The Company intends to continue applying its IBS to all products, even established products and businesses, and the results of ongoing testing will influence the amount and allocation of future marketing investment. Management believes that, through the continued application of IBS, the Company can develop product and service offerings to sustain growth, and that it has the personnel, financial resources and business strategy necessary for continued success. However, as the Company attempts to apply IBS to diversify and expand its product offerings beyond credit cards, there can be no assurance that the historical financial information of the Company will necessarily reflect the results of operations and financial condition of the Company in the future. The Company's actual results will be influenced by, among other things, the factors discussed in this section.

The Company's strategies and objectives outlined above and the other forward looking statements contained in this section involve a number of risks and uncertainties. The Company cautions readers that any forward looking information is not a guarantee of future performance and that actual results could differ materially. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: continued intensive competition from numerous providers of products and services which compete with the Company's businesses; with respect to financial products, changes in the Company's aggregate accounts or loan balances and the growth rate thereof, including changes resulting from factors such as shifting product mix, amount of actual marketing expenses made by the Company, and attrition of accounts and loan balances; an increase in credit losses (including increases due to a worsening of general economic conditions); difficulties or delays in the development, production, testing and marketing of new products or services; losses associated with new products or services; financial, legal, regulatory or other difficulties that may affect investment in, or the overall performance of, a product or business; the amount, and rate of growth in, the Company's expenses (including operating and marketing (solicitation) expenses) as the Company's business develops or changes or as it expands into new market areas; the availability of capital necessary to fund the Company's new businesses; the ability of the Company to build the operational and organizational infrastructure necessary to engage in new businesses; the ability of the Company to recruit experienced personnel to assist in the management and operations of new products and services; and other factors listed from time to time in the Company's SEC reports, including but not limited to the Annual Report on Form 10-K for the year ended December 31, 1995 (Part I, Item 1, Cautionary Statements).

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 11-Computation of Per Share Earnings	Page 27
Exhibit 12-Computation of Ratio of Earnings to Fixed Charges	Page 28

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CAPITAL ONE FINANCIAL CORPORATION

(Registrant)

Date: November 14, 1996

/s/James M. Zinn

James M. Zinn
Senior Vice President,
Chief Financial Officer
(Chief Accounting Officer
and duly authorized officer
of the Registrant)

EXHIBIT 11

CAPITAL ONE FINANCIAL CORPORATION
COMPUTATION OF PER SHARE EARNINGS
THREE AND SIX MONTHS ENDED SEPTEMBER 30, 1996 AND 1995
(dollars in thousands, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1996	1995	1996	1995
PRIMARY				
Net income	$ 38,821	$ 33,948	$ 115,017	$ 88,703
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING				
Average common shares outstanding	66,249,581	65,641,117	66,207,452	65,624,029
Net effect of dilutive restricted stock (1)	5,623	359,926	8,543	327,958
Net effect of dilutive stock options (1)	768,893	539,121	691,826	333,706
Weighted average common and common equivalent shares	67,024,097	66,540,164	66,907,821	66,285,693
EARNINGS PER SHARE	$ 0.58	$ 0.51	$ 1.72	$ 1.34
FULLY DILUTED				
Net income	$ 38,821	$ 33,948	$ 115,017	$ 88,703
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING				
Average common shares outstanding	66,249,581	65,641,117	66,207,452	65,624,029
Net effect of dilutive restricted stock (2)	6,118	371,081	11,840	363,129
Net effect of dilutive stock options (2)	802,430	714,785	802,430	714,785
Weighted average common and common equivalent shares	67,058,129	66,726,983	67,021,722	66,701,943
EARNINGS PER SHARE	$ 0.58	$ 0.51	$ 1.72	$ 1.33

(1) Based on the treasury stock method using average market price.

(2) Based on the treasury stock method using the higher of ending or average market price.

The calculations of common and common equivalent earnings per share and fully diluted earnings per share are submitted in accordance with Securities Exchange Act of 1934 Release No. 9083 although both calculations are not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because there is dilution of less than 3%. The Registrant has elected to show fully diluted earnings per share in its financial statements.

EXHIBIT 12

CAPITAL ONE FINANCIAL CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

	NINE MONTHS ENDED SEPTEMBER 30	
	1996	1995
Earnings	$ 183,560	$ 138,622
Fixed Charges	211,045	180,952
	394,605	319,574
Fixed Charges	211,045	180,952
Ratio	1.87	1.77

5
1,000

9-MOS
DEC-31-1996
JUL-01-1996
SEP-30-1996
155,474
684,989
4,462,008
(92,500)
0
0
164,630
0
6,593,094
0
0
0
0
663
700,616
6,593,094
0
1,007,593
0
512,607
0
104,211
207,215
183,560
68,543
115,017
0
0
0
115,017
1.72
1.72

Non-classified balance sheet
PP&E shown net