

# our turnkey approach to auto lending is ... well ... turning a lot of keys.

*Capital One® is successfully putting its credit card expertise to work in the broader consumer lending market, where we see big opportunities for profitable long-term growth.*

Auto finance, with more than \$1 trillion in loans outstanding, is nearly twice the size of the credit card market. After two acquisitions and four years of making auto loans, Capital One has a \$7 billion portfolio with steadily improving profitability. Our skill in analyzing credit risk and pricing each loan accordingly creates a win-win situation for us and our customers: we minimize lending risk, they get the best deal. As we've built scale, we've dramatically cut operating costs, from nearly 10% of loans outstanding in 1999 to 3.57% in 2002.

Our superprime auto finance business continues to grow rapidly despite the auto industry's offers of low- or no-interest financing. Many consumers who do the math realize that they'll come out ahead by combining a car manufacturer's offer of a cash rebate with financing from Capital One Auto Finance. The largest Internet originator of auto loans, Capital One Auto Finance gives superprime borrowers no-hassle service and convenient access to financing, features that are generating exceptionally high levels of customer satisfaction.

In the \$175 billion installment lending business, we market personal loans to superprime borrowers, high-income people with long and stellar credit histories. The low risk allows us to offer the loans at an exceptionally low fixed rate—7.9% in many cases, which is five percentage points below the industry average. Installment lending has added \$4 billion in blue-chip assets to Capital One's managed loans.

In 2002, we entered the small-business lending sector. With a Capital One business credit card, a small entrepreneur has hassle-free access to loans for operating capital—a big help in smoothing out cash flow and meeting extraordinary expenses. Our small-business lending is growing rapidly and yielding above-average returns.

The auto finance, installment and small-business lending markets are highly fragmented, presenting opportunities for significant gains in market share. We believe our information-based strategy will allow us to transform these businesses through direct marketing, innovative products and customization. The payoffs: better deals and less hassle for borrowers and new sources of profitable growth for Capital One.