CAPITAL ONE FINANCIAL CORP
Form 10-Q/A
November 09, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

(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, 2007.

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED).**

For the transition period from ______ to ______

Commission File No. 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.)**

1680 Capital One Drive McLean, Virginia	**22102**
(Address of Principal Executive Offices)	**(Zip Code)**

(703) 720-1000

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** ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b of the Exchange Act. (Check One):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) **Yes** ¨ **No** **x**

As of October 31, 2007 there were 418,512,173 shares of the registrant s Common Stock, par value $.01 per share, outstanding.

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Introductory Note

This Amendment No. 1 is being filed to replace and supercede the Form 10-Q filing made on November 8, 2007. The November 8 Form 10-Q was unintentionally filed in draft form by our filing agent, R.R. Donnelley Financial, without our authorization and prior to our completion. Because the Form 10-Q was filed without our authorization and prior to completion, the notes to the condensed financial statements, included in Item 1, and Item 2 disclosures contain certain incorrect information and omit certain information. Investors should not refer to or rely on the Form 10-Q filed on November 8, 2007.

CAPITAL ONE FINANCIAL CORPORATION

FORM 10-Q

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September 30, 2007

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Part 1. Financial Information

Item 1. ***Financial Statements***

CAPITAL ONE FINANCIAL CORPORATION

Condensed Reported Consolidated Balance Sheets (unaudited)

(Dollars in thousands, except share and per share data)

	September 30 2007	December 31 2006
Assets:		
Cash and due from banks	**$ 1,819,121**	$ 2,817,519
Federal funds sold and resale agreements	**1,922,735**	1,099,156
Interest-bearing deposits at other banks	**703,805**	743,821
Cash and cash equivalents	**4,445,661**	4,660,496
Securities available for sale	**19,959,247**	15,246,887
Mortgage loans held for sale	**1,454,457**	10,435,295
Loans held for investment	**95,405,217**	96,512,139
Less: Allowance for loan and lease losses	**(2,320,000)**	(2,180,000)
Net loans held for investment	**93,085,217**	94,332,139
Accounts receivable from securitizations	**6,905,859**	4,589,235
Premises and equipment, net	**2,268,034**	2,203,280
Interest receivable	**793,693**	816,426
Goodwill	**12,952,838**	13,635,435
Other	**5,289,829**	3,820,092
Total assets	**$ 147,154,835**	$ 149,739,285
Liabilities:		
Non-interest-bearing deposits	**$ 10,840,189**	$ 11,648,070
Interest-bearing deposits	**72,502,625**	74,122,822
Total deposits	**83,342,814**	85,770,892
Senior and subordinated notes	**10,784,182**	9,725,470
Other borrowings	**22,722,519**	24,257,007
Interest payable	**552,674**	574,763
Other	**4,965,794**	4,175,947
Total liabilities	**122,367,983**	124,504,079
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 1,000,000,000 shares, 418,346,994 and 412,219,973 issued as of September 30, 2007 and December 31, 2006, respectively	**4,183**	4,122
Paid-in capital, net	**15,768,525**	15,333,137
Retained earnings	**11,049,042**	9,760,184
Cumulative other comprehensive income	**346,184**	266,180
	(2,381,082)	(128,417)

Less: Treasury stock, at cost; 32,923,076 and 2,294,586 shares as of September 30, 2007 and December 31, 2006, respectively		
Total stockholders equity	**24,786,852**	25,235,206
Total liabilities and stockholders equity	**$ 147,154,835**	$ 149,739,285

See Notes to Condensed Reported Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION

Condensed Reported Consolidated Statements of Income

(Dollars in thousands, except per share data) (unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Interest Income:				
Loans held for investment, including past-due fees	**$ 2,381,096**	$ 1,814,803	**$ 6,963,349**	$ 5,044,362
Securities available for sale	**252,550**	151,616	**694,608**	483,078
Other	**133,321**	98,652	**460,005**	313,370
Total interest income	**2,766,967**	2,065,071	**8,117,962**	5,840,810
Interest Expense:				
Deposits	**740,091**	442,571	**2,220,177**	1,262,412
Senior and subordinated notes	**144,643**	96,300	**417,250**	275,361
Other borrowings	**257,759**	231,685	**712,937**	604,563
Total interest expense	**1,142,493**	770,556	**3,350,364**	2,142,336
Net interest income	**1,624,474**	1,294,515	**4,767,598**	3,698,474
Provision for loan and lease losses	**595,534**	430,566	**1,342,292**	963,281
Net interest income after provision for loan and lease losses	**1,028,940**	863,949	**3,425,306**	2,735,193
Non-Interest Income:				
Servicing and securitizations	**1,354,303**	1,071,091	**3,569,281**	3,250,201
Service charges and other customer-related fees	**522,374**	459,125	**1,484,820**	1,308,254
Mortgage servicing and other	**52,661**	44,520	**172,476**	118,378
Interchange	**103,799**	150,474	**347,889**	401,503
Other	**116,525**	36,175	**321,417**	251,213
Total non-interest income	**2,149,662**	1,761,385	**5,895,883**	5,329,549
Non-Interest Expense:				
Salaries and associate benefits	**627,358**	554,504	**1,970,433**	1,607,113
Marketing	**332,693**	368,498	**989,654**	1,048,964
Communications and data processing	**194,551**	183,020	**569,405**	524,958
Supplies and equipment	**134,639**	111,625	**384,971**	322,837
Restructuring expense	**19,354**		**110,428**	
Occupancy	**77,597**	49,710	**230,835**	151,840
Other	**548,029**	459,272	**1,687,077**	1,325,293
Total non-interest expense	**1,934,221**	1,726,629	**5,942,803**	4,981,005
Income from continuing operations before income taxes	**1,244,381**	898,705	**3,378,386**	3,083,737
Income taxes	**428,010**	310,866	**1,108,279**	1,059,972
Income from continuing operations, net of tax	**816,371**	587,839	**2,270,107**	2,023,765
(Loss) from discontinued operations, net of tax	**(898,029)**		**(926,343)**	
Net (loss) income	**$ (81,658)**	$ 587,839	**$ 1,343,764**	$ 2,023,765

Basic earnings per share:								
Income from continuing operations	**$**	**2.11**	$	1.95	**$**	**5.74**	$	6.73
(Loss) from discontinued operations		**(2.32)**				**(2.34)**		
Net (loss) income	**$**	**(0.21)**	$	1.95	**$**	**3.40**	$	6.73
Diluted earnings per share								
Income from continuing operations	**$**	**2.09**	$	1.89	**$**	**5.66**	$	6.53
Loss from discontinued operations		**(2.30)**				**(2.31)**		
Net (loss) income	**$**	**(0.21)**	$	1.89	**$**	**3.35**	$	6.53
Dividends paid per share	**$**	**0.03**	$	0.03	**$**	**0.08**	$	0.08

See Notes to Condensed Reported Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION

Condensed Reported Consolidated Statements of Changes in Stockholders Equity

(Dollars in thousands, except share and per share data) (unaudited)

	Common Stock				Cumulative Other Comprehensive		Total
(In thousands, except share and per share data)	**Shares**	**Amount**	**Paid-In Capital, Net**	**Retained Earnings**	**Income (Loss)**	**Treasury Stock**	**Stockholders Equity**
Balance, December 31, 2005	302,786,444	$ 3,028	$ 6,848,544	$ 7,378,015	$ 6,129	$ (106,802)	$ 14,128,914
Comprehensive income:							
Net income				2,023,765			2,023,765
Other comprehensive income, net of income tax:							
Unrealized gains on securities, net of income taxes of $10,619					19,206		19,206
Foreign currency translation adjustments					161,342		161,342
Unrealized losses on cash flow hedging instruments, net of income tax benefit of $6,553					(12,743)		(12,743)
Other comprehensive income					167,805		167,805
Comprehensive income							2,191,570
Cash dividends - $.008 per share				(24,210)			(24,210)
Purchase of treasury stock						(8,575)	(8,575)
Issuances of common stock and restricted stock, net of forfeitures	689,489	7	27,670				27,677
Exercise of stock options and related tax benefits	3,079,235	30	233,058				233,088
Compensation expense for restricted stock awards and stock options			128,513				128,513
Balance, September 30, 2006	306,555,168	$ 3,065	$ 7,237,785	$ 9,377,570	$ 173,934	$ (115,377)	$ 16,676,977
Balance, December 31, 2006	**412,219,973**	**$ 4,122**	**$ 15,333,137**	**$ 9,760,184**	**$ 266,180**	**$ (128,417)**	**$ 25,235,206**
Cumulative effect from adoption of FIN 48				**(31,830)**			**(31,830)**
Cumulative effect from adoption of FAS 156, net of income taxes of $6,378				**8,809**			**8,809**
Comprehensive income:							
Net income				**1,343,764**			**1,343,764**
Other comprehensive income, net of income tax:							
Unrealized loss on securities, net of income taxes benefit of $5,436					**(1,560)**		**(1,560)**
Defined benefit pension plans, net of income tax benefit of $1,092					**(2,028)**		**(2,028)**

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(In thousands, except share and per share data)	Common Stock Shares	Common Stock Amount	Paid-In Capital, Net	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Foreign currency translation adjustments					127,754		127,754
Unrealized losses on cash flow hedging instruments, net of income tax benefit of $22,833					(44,162)		(44,162)
Other comprehensive income					80,004		80,004
Comprehensive income							1,423,768
Cash dividends - $.08 per share				(31,885)			(31,885)
Purchase of treasury stock						(2,252,665)	(2,252,665)
Issuances of common stock and restricted stock, net of forfeitures	1,234,190	13	28,023				28,036
Exercise of stock options and related tax benefits of exercises and restricted stock vesting	5,030,089	49	273,708				273,757
Compensation expense for restricted stock awards and stock options			139,379				139,379
Adjustment to issuance of common stock for acquisition	(137,258)	(1)	(10,463)				(10,464)
Allocation of ESOP shares			4,741				4,741
Balance, September 30, 2007	418,346,994	$ 4,183	$ 15,768,525	$ 11,049,042	$ 346,184	$ (2,381,082)	$ 24,786,852

See Notes to Condensed Reported Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION

Condensed Consolidated Statements of Cash Flows

(Dollars in thousands) (unaudited)

	Nine Months Ended September 30, 2007	2006
Operating Activities:		
Income from continuing operations, net of tax	**$ 2,270,107**	$ 2,023,765
(Loss) from discontinued operations, net of tax	**(926,343)**	
Net income	**1,343,764**	2,023,765
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for loan and lease losses	**1,342,292**	963,281
Depreciation and amortization, net	**482,595**	382,968
(Gains) losses on sales of securities available for sale	**(68,306)**	25,150
Gains on sales of auto loans	**(10,927)**	(27,455)
Gains on extinguishment of debt	**(17,444)**	
Mortgage loans held for sale:		
Transfers and originations	**729,458**	(113,725)
Loss on sales	**7,712**	
Proceeds from sales	**4,905,876**	
Stock plan compensation expense	**309,969**	150,443
Changes in assets and liabilities:		
Decrease in interest receivable	**32,234**	34,438
Increase in accounts receivable from securitizations	**(2,318,418)**	(715,296)
Increase in other assets	**(1,378,508)**	(91,084)
(Decrease) increase in interest payable	**(22,429)**	15,319
Increase (decrease) in other liabilities	**838,475**	(100,999)
Net cash provided by operating activities attributable to discontinued operations	**2,196,050**	
Net cash provided by operating activities	**8,372,393**	2,546,805
Investing Activities:		
Purchases of securities available for sale	**(10,880,031)**	(5,034,885)
Proceeds from maturities of securities available for sale	**5,258,692**	2,915,064
Proceeds from sales of securities available for sale	**965,185**	2,513,479
Proceeds from securitizations of loans	**9,875,362**	9,907,624
Net increase in loans held for investment	**(8,921,503)**	(15,068,945)
Principal recoveries of loans previously charged off	**469,392**	418,581
Additions of premises and equipment, net	**(314,063)**	(530,995)
Net payments for companies acquired	**(10,464)**	
Net cash used in investing activities	**(3,557,430)**	(4,880,077)
Financing Activities:		
Net decrease in deposits	**(2,428,078)**	(320,117)
Net increase in other borrowings	**515,093**	2,088,027
Issuances of senior notes	**1,495,740**	3,188,372
Maturities of senior notes	**(462,500)**	(1,226,882)
Repurchases of senior notes		(31,296)

Purchases of treasury stock	**(2,252,665)**	(8,575)
Dividends paid	**(31,885)**	(24,210)
Net proceeds from issuances of common stock	**32,777**	27,677
Proceeds from share based payment activities	**133,499**	168,658
Net cash used in financing activities attributable to discontinued operations	**(2,031,779)**	
Net cash (used in) provided by financing activities	**(5,029,798)**	3,861,654
(Decrease) increase in cash and cash equivalents	**(214,835)**	1,528,382
Cash and cash equivalents at beginning of year	**4,660,496**	4,071,267
Cash and cash equivalents at end of period	**$ 4,445,661**	$ 5,599,649

See Notes to Condensed Reported Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION

Notes to Condensed Reported Consolidated Financial Statements

(in thousands, except per share data) (unaudited)

Note 1

Summary of Significant Accounting Policies

Business

Capital One Financial Corporation (the Corporation) is a diversified financial services company whose banking and non-banking subsidiaries market a variety of financial products and services. The Corporation s principal subsidiaries are:

Capital One Bank (the Bank) which currently offers credit and debit card products, deposit products, and also engages in a wide variety of lending and other financial activities.

Capital One, National Association (CONA) which offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients.

Capital One Auto Finance, Inc. (COAF) which offers automobile and other motor vehicle financing products.

Another subsidiary of the Corporation, Superior Savings of New England, N.A. (Superior) focuses on telephonic and media-based generation of deposits.

In the third quarter of 2007, the Company shutdown the mortgage origination operations of its wholesale mortgage banking unit, GreenPoint Mortgage (GreenPoint), an operating subsidiary of CONA. Additional information is included in this Quarterly Report under the heading Notes to Condensed Reported Consolidated Financial Statements Note 2 Discontinued Operations.

The Corporation and its subsidiaries are hereafter collectively referred to as the Company .

Basis of Presentation

The accompanying unaudited condensed reported consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) 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 GAAP 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 GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

All significant intercompany balances and transactions have been eliminated. Certain prior years amounts have been reclassified to conform to the 2007 presentation. All amounts in the following notes, excluding share and per share data, are presented in thousands.

The notes to the reported consolidated financial statements contained in the Annual Report on Form 10-K for the year ended December 31, 2006 should be read in conjunction with these condensed reported consolidated financial statements.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Liabilities*, (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value with changes in fair value included in current earnings. The election is made on specified election dates, can be made on an instrument by instrument basis, and is irrevocable. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact of adoption of SFAS 159 on the consolidated earnings and financial position of the Company.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact of adoption of SFAS 157 on the consolidated earnings and financial position of the Company.

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In September 2006, the FASB issued Statement of Financial Accounting Standard No. 156, *Accounting for Servicing of Financial Assets*, and (SFAS 156), which amends Statement of Financial Accounting Standards No. 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 140). SFAS 156 changes the accounting for, and reporting of, the recognition and measurement of separately recognized servicing assets and liabilities. Effective January 1, 2007, the Company adopted SFAS 156 resulting in an $8.8 million cumulative effect, net of taxes, increase to the beginning balance of retained earnings.

In February 2006, the FASB issued Statement of Financial Accounting Standard No. 155, *Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140,* (SFAS 155). SFAS 155 amends FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* (SFAS 133) and SFAS 140. SFAS 155 resolves issues addressed in SFAS 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. SFAS 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends SFAS 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The adoption of SFAS 155 did not have a material impact on the consolidated earnings or financial position of the Company.

Adoption of FIN 48

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, *Accounting for Income Taxes,* and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Company adopted the provisions of FIN 48 effective January 1, 2007. As a result of adoption, the Company recorded a $31.8 million reduction in retained earnings. The reduction in retained earnings upon adoption is the net impact of a $48.7 million increase in the liability for unrecognized tax benefits and a $16.8 million increase in deferred tax assets. In addition, the Company reclassified $471.1 million of unrecognized tax benefits from deferred tax liabilities to current taxes payable to conform to the deferred tax measurement and balance sheet presentation requirements of FIN 48.

The balance of unrecognized tax benefits at January 1, 2007 was $661.6 million. Included in the balance at January 1, 2007, are $83.5 million of tax positions which, if recognized, would affect the effective tax rate and $58.0 million of tax positions which, if recognized, would result in a reduction in goodwill. Also included in the balance is $466.4 million of tax positions related to items of income and expense for which the ultimate taxability or deductibility is highly certain, but for which there is uncertainty about the timing of recognition. Because of the impact of deferred tax accounting, other than interest and penalties, the acceleration of taxability or deferral of deductibility of these items would not affect the annual effective tax rate but may accelerate the payment of taxes to an earlier period.

The Company continues to recognize accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense, consistent with its policy prior to adoption of FIN 48. The accrued balance of interest and penalties related to unrecognized tax benefits at January 1, 2007 is $119.1 million.

The Company is subject to examination by the Internal Revenue Service (IRS) and other tax authorities in certain countries and states in which the Company has significant business operations. The tax years subject to examination vary by jurisdiction. The IRS is currently examining the Company s federal income tax returns for the years 2003 and 2004 as well as the tax returns of certain acquired subsidiaries for the year 2004. During 2006, the IRS concluded its examination of the Company s federal income tax returns for the years 2000-2002. Tax issues for years 1995-1999 are pending in the U.S. Tax Court and the conclusion of those matters could impact tax years after 1999.

As of September 30, 2007, the IRS has proposed adjustments with respect to the timing of recognition of items of income and expense derived from the Company s credit card business in various tax years. The ultimate resolution of these issues is not expected to have a material effect on the Company s operations or financial condition. However, the Company anticipates that it is reasonably possible that a payment of up to $250 million, principally related to these timing issues, will be made within twelve months of the reporting date resulting in a significant reduction to the Company s liability for unrecognized tax benefits.

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Significant Accounting Policies

See the Company s Annual Report on Form 10-K for the year ended December 31, 2006, Item 8 Notes to Condensed Reported Financial Statements Note 1 Summary of Significant Accounting Policies for a summary of the Company s accounting policies. Refer also to the discussion below for accounting policies that may supplement or modify the discussion of accounting policies in the Company s Form 10-K for the year December 31, 2006.

Consumer Loan Securitizations

The Company primarily securitizes credit card loans, auto loans and installment loans. Securitization provides the Company with a significant source of liquidity and favorable capital treatment for securitizations accounted for as off-balance sheet arrangements. See Item 8 Notes to Condensed Reported Financial Statements Note 22 Off-Balance Sheet Securitizations in the Company s Form 10-K for the year ended December 31, 2006 for additional detail.

Loan securitization involves the transfer of a pool of loan receivables to a trust or other special purpose entity. The trust sells an undivided interest in the pool of loan receivables to third-party investors through the issuance of asset backed securities and distributes the proceeds to the Company as consideration for the loans transferred. The Company removes loans from the Reported Consolidated Balance Sheets for securitizations that qualify as sales in accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities a Replacement of SFAS No. 125 (SFAS 140). Alternatively, when the transfer would not be considered a sale but rather a financing, the assets will remain on the Company s Reported Consolidated Balance Sheet with an offsetting liability recognized in the amount of proceeds received.

Interests in the securitized and sold loans may be retained in the form of subordinated interest-only strips, subordinated tranches, cash collateral and spread accounts. The Company also retains a seller s interest in the credit card receivables transferred to the trusts which is carried on a historical cost basis and classified as loans held for investment on the Reported Consolidated Balance Sheet.

Gains on securitization transactions, fair value adjustments related to residual interests in securitizations are recognized in income in the Consolidated Statements of Income and amounts due from the trusts are included in accounts receivable from securitizations on the Reported Consolidated Balance Sheets. As of September 30, 2007 and December 31, 2006, the retained interest on the Reported Consolidated Balance Sheet was $2.4 billion and $2.2 billion, respectively. See Note 22 in the Company s Form 10-K for the year December 31, 2006 for additional detail.

The gain on sale recorded from off-balance sheet securitizations is recorded based on the estimated fair value of the assets sold and retained and liabilities incurred, and is recorded at the time of sale, net of transaction costs, in Servicing and securitizations income on the Reported Consolidated Statements of Income. The related receivable is the interest-only strip, which is based on the present value of the estimated future cash flows from excess finance charges and past-due fees over the sum of the return paid to security holders, estimated contractual servicing fees and credit losses. The interest-only strip is accounted for as a trading security with changes in the estimated fair value recorded in Servicing and securitizations income. To the extent assumptions used by management do not prevail, fair value estimates of the interest-only strip could differ significantly, resulting in either higher or lower future servicing and securitization income, as applicable.

The Company does not recognize servicing assets or servicing liabilities for servicing rights retained from consumer loan securitizations since the servicing fee approximates just adequate compensation to the Company for performing the servicing.

Loans Held for Investment

Loans held for investment include consumer and commercial loans. Consumer loans include credit card, installment, auto and mortgage loans. Credit card loans are reported at their principal amounts outstanding and include uncollected billed interest and fees. Certain mortgage loans associated with the GreenPoint shut down, which were previously categorized as held for sale and marked at the lower of aggregate cost or fair value, were transferred to held for investment at September 30, 2007. All other loans are reported at their principal amounts outstanding.

All new originations of consumer and commercial loans, except for certain mortgage loans previously originated under GreenPoint, are deemed to be held for investment at origination because management has the intent and ability to hold them for the foreseeable future or until maturity or payoff. See Item 8 Notes to Condensed Reported Financial Statements Note 1 Summary of Significant Accounting Policies, in the Company s Form 10-K for the year ended December 31, 2006 for additional detail on Mortgage Loans Held for Sale. Management believes the foreseeable future is relatively short based on the weighted average life of the consumer loans and the homogeneous nature of the receivables. In determining the amount of loans held for investment, management makes judgments about the Company s ability to fund these loans through means other than securitization, such as deposits and other borrowings. Management assesses whether loans can continue to be held for investment on a quarterly basis by considering capital levels and scheduled maturities of funding instruments used.

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Consumer loan balances that are expected to be securitized in the next three months are accounted for as held for sale. The loans that have been identified as held for sale are carried at the lower of aggregate cost or fair value and an allowance for loan losses is not provided for these loans. Management believes its ability to reasonably forecast the amount of existing consumer loans that should be accounted for as held for sale is limited to three months from the balance sheet date because of the short-term nature of the assets, the revolving nature of the securitization structures and the fact that securitizations that occur beyond three months will involve a significant proportion of consumer loans that have not yet been originated. The Company continues to include these loans in loans held for investment because separate classification in the Reported Consolidated Balance Sheets and related impacts to the Reported Consolidated Statements of Income is considered immaterial to the Company s financial statements. Cash flows associated with loans that are originated with the intent to hold for investment are classified as investing cash flow, regardless of a subsequent change of intent.

Note 2

Discontinued Operations

Shutdown of Mortgage Origination Operations of Wholesale Mortgage Banking Unit

In the third quarter of 2007, the Company shutdown the mortgage origination operations of its wholesale mortgage banking unit, GreenPoint, realizing an after-tax loss of $898.0 million. GreenPoint was acquired by the Company in December 2006 as part of the North Fork acquisition. The results of the mortgage origination operations of GreenPoint have been accounted for as a discontinued operation and have been removed from the Company s results of continuing operations for 2007.

The results of GreenPoint s mortgage servicing business continue to be reported as part of the Company s continuing operations. The mortgage servicing function was moved into the Local Banking Segment in conjunction with the shutdown of the mortgage origination operation and the results of the Local Banking Segment were restated to include the mortgage servicing results for each period of 2007.

Major components of the $898.0 million after-tax loss associated with the shut down of GreenPoint s origination operations include approximately $646.0 million from the non-cash write-down of goodwill associated with the acquisition of GreenPoint as part of the North Fork Bancorporation in December 2006, $177.8 million of valuation adjustments, $59.0 million in restructuring charges associated with severance benefits and facilities closure and $15.2 million in loss from operations. The vast majority of charges associated with the shutdown of GreenPoint s mortgage origination operations were incurred in the third quarter of 2007.

Due to turmoil in the secondary mortgage markets in the third quarter of 2007, the Company decided to retain certain GreenPoint loans and has reclassified them to held for investment at September 30, 2007. Continuing cash flows from the held for investment loan portfolios are considered indirect cash flows of the origination operation. The Company will have no significant continuing involvement in the operations of the originate and sell business of GreenPoint.

The following is summarized financial information for discontinued operations related to the closure of the Company s wholesale mortgage banking unit:

	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2007
Net interest income	$ 22,621	$ 62,437
Non-interest income	(205,281)	(134,812)
Provision for loan and lease losses	75,829	80,151
Non-interest expense	790,929	940,601
Income tax benefit	(151,389)	(166,784)
Loss from discontinued operations, net of taxes	**$ (898,029)**	**$ (926,343)**

The Company s wholesale mortgage banking unit had assets of approximately $3.3 billion as of September 30, 2007 consisting primarily of $1.2 billion of mortgage loans held for sale and $1.6 billion of mortgage loans held for investment. The related liabilities consisted of obligations to fund these assets.

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Note 3

Business Combinations

North Fork Bancorporation

On December 1, 2006, the Company acquired 100% of the outstanding common stock of North Fork Bancorporation (North Fork), a regional bank holding company headquartered in New York conducting commercial and retail banking from branch locations in New York, New Jersey, and Connecticut, with a complementary national mortgage banking business.

The acquisition was accounted for under the purchase method of accounting, and, as such, the assets and liabilities of North Fork were recorded at their respective fair values as of December 1, 2006. The results of North Fork s operations were included in the Company s Consolidated Reported Statement of Income commencing December 1, 2006.

The total consideration of $13.2 billion, which includes the value of outstanding stock options, was settled through the issuance of 103.8 million shares of the Company s common stock and payment of $5.2 billion in cash. Under the terms of the transaction, each share of North Fork common stock was exchanged for $28.14 in cash or 0.3692 shares of the Company s common stock or a combination of common stock and cash based on the aforementioned conversion rates, based on the average of the closing prices on the NYSE of the Company s common stock during the five trading days ending the day before the completion of the merger, which was $76.24.

Costs to acquire North Fork:	
Capital One common stock issued	$ 7,914,463
Cash consideration paid	5,200,500
Fair value of employee stock options	83,633
Investment banking, legal, and consulting fees	31,547
Total consideration paid for North Fork	**$ 13,230,143**

The allocation of the final purchase price is still subject to refinement as the integration process continues and additional information becomes available.

The following unaudited pro forma condensed statements of income assume that the Company and North Fork were combined at the beginning of 2006. Discontinued Operations in the proformas represent the proforma results for the mortgage origination operation of GreenPoint Mortgage that was shutdown in the third quarter of 2007.

	Three Months Ended September 30, 2006	**Nine Months Ended September 30, 2006**
Net interest income	$ 1,654,782	$ 4,726,929
Non-interest income	1,824,653	5,518,216
Provision for loan and lease losses	439,566	990,281
Non-interest expense	1,896,832	5,653,624
Income taxes	390,769	1,226,288
Income from continuing operations	752,268	2,374,952
Income from discontinued operations	49,130	112,345
Net income	$ 801,398	$ 2,487,297
Basic earnings per share:		

Income from continuing operations	$	1.86	$	5.87
Income from discontinued operations		0.12		0.28
Net income	$	1.98	$	6.15
Diluted earnings per share:				
Income from continuing operations	$	1.81	$	5.73
Income from discontinued operations, net of tax		0.12		0.27
Net income	$	1.93	$	6.00

(1) Pro forma adjustments include the following adjustments: accretion for loan fair value discount, reduction of interest income for amounts used to fund the acquisition, amortization for interest-bearing deposits fair value premium, accretion for subordinated notes fair value premium, addition of interest expense for borrowings used to fund the acquisition, and related amortization for intangibles acquired, net of North Fork s historical intangible amortization expense.

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Note 4

Segments

With the Company s diversification into banking through the acquisition of Hibernia Corporation in late 2005 and the acquisition of North Fork in fourth quarter 2006, the Company strategically manages its business at two operating segment levels: Local Banking and National Lending. Local Banking includes consumer, small business and commercial deposits and lending conducted within its branch network. The National Lending segment consists of the following three sub-segments:

U.S. Card sub-segment which consists of domestic consumer credit and debit card activities.

Auto Finance sub-segment which includes automobile and other motor vehicle financing activities.

Global Financial Services sub-segment consisting of international lending activities, small business lending, installment loans, home loans, healthcare financing and other diversified activities.

In the third quarter of 2007, the Company shutdown mortgage origination operations of its wholesale mortgage banking unit, GreenPoint. The results of the mortgage origination operations are being reported as discontinued operations for each period presented, and are not included in segment results of the Company. The results of GreenPoint s mortgage servicing business continue to be reported as part of the Company s continuing operations. The mortgage servicing function was moved into the Local Banking Segment in conjunction with the shutdown of the mortgage origination operation, and the results of the Local Banking Segment were restated to include the mortgage servicing results for each period of 2007.

The Local Banking and National Lending Banking segments are considered reportable segments based on quantitative thresholds applied to the managed loan portfolio for reportable segments provided by SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, and are disclosed separately. The Other category includes the Company s liquidity portfolio, emerging businesses not included in the reportable segments, and various non-lending activities. The Other category also includes the net impact of transfer pricing, certain unallocated expenses, gains/losses related to the securitization of assets, and restructuring charges related to the Company s 2007 cost initiative.

The Company maintains its books and records on a legal entity basis for the preparation of financial statements in conformity with GAAP. The following tables present information prepared from the Company s internal management information system, which is maintained on a line of business level through allocations from the consolidated financial results.

See Note 1, Summary of Significant Accounting Policies in the Annual Report on Form 10-K for the accounting policies of the reportable segments.

The following tables present certain information regarding our continuing operations by segment:

	Three Months Ended September 30, 2007					
Total Company	**National Lending**	**Local Banking**	**Other**	**Total Managed**	**Securitization Adjustments (1)**	**Total Reported**
Net interest income	**$ 2,279,763**	**$ 584,925**	**$ (61,250)**	**$ 2,803,438**	**$ (1,178,964)**	**$ 1,624,474**
Non-interest income	**1,312,146**	**195,204**	**10,639**	**1,517,989**	**631,673**	**2,149,662**
Provision for loan and lease losses	**1,196,087**	**(58,285)**	**5,023**	**1,142,825**	**(547,291)**	**595,534**
Restructuring expenses			**19,354**	**19,354**		**19,354**
Other non-interest expenses	**1,367,607**	**543,390**	**3,870**	**1,914,867**		**1,914,867**
Income tax provision (benefit)	**352,847**	**102,693**	**(27,530)**	**428,010**		**428,010**
Net income (loss)	**$ 675,368**	**$ 192,331**	**$ (51,328)**	**$ 816,371**		**$ 816,371**

Loans held for investment	**$ 102,556,271**	**$ 42,233,665**	**$ (21,375)**	**$ 144,768,561**	**$ (50,980,053)**	**$ 93,788,508**
Total deposits	**$ 2,295,131**	**$ 73,419,558**	**$ 7,628,125**	**$ 83,342,814**		**$ 83,342,814**

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	Three Months Ended September 30, 2006					
Total Company	**National Lending**	**Local Banking**	**Other**	**Total Managed**	**Securitization Adjustments (1)**	**Total Reported**
Net interest income	$ 1,988,818	$ 258,198	$ (29,194)	$ 2,217,822	$ (923,307)	$ 1,294,515
Non-interest income	1,213,924	115,526	(54,041)	1,275,409	485,976	1,761,385
Provision for loan and lease losses	862,375	5,495	27	867,897	(437,331)	430,566
Restructuring expenses						
Other non-interest expenses	1,411,882	297,080	17,667	1,726,629		1,726,629
Income tax provision (benefit)	324,366	24,902	(38,402)	310,866		310,866
Net income (loss)	$ 604,119	$ 46,247	$ (62,527)	$ 587,839		$ 587,839
Loans held for investment	$ 98,909,970	$ 13,326,088	$ 2,488	$ 112,238,546	$ (48,626,377)	$ 63,612,169
Total deposits	$ 2,461,941	$ 35,163,849	$ 9,987,360	$ 47,613,150		$ 47,613,150

	Three Months Ended September 30, 2007			
National Lending sub-segment detail	**U.S. Card**	**Auto Finance**	**Global Financial Services**	**Total National Lending**
Net interest income	**$ 1,357,200**	**$ 377,522**	**$ 545,041**	**$ 2,279,763**
Non-interest income	**975,502**	**13,514**	**323,130**	**1,312,146**
Provision for loan and lease losses	**662,428**	**244,537**	**289,122**	**1,196,087**
Non-interest expenses	**815,470**	**152,275**	**399,862**	**1,367,607**
Income tax provision	**294,053**	**(1,987)**	**60,781**	**352,847**
Net income	**$ 560,751**	**$ (3,789)**	**$ 118,406**	**$ 675,368**
Loans held for investment	**$ 49,573,279**	**$ 24,335,242**	**$ 28,647,750**	**$ 102,556,271**

	Three Months Ended September 30, 2006			
National Lending sub-segment detail	**U.S. Card**	**Auto Finance**	**Global Financial Services**	**Total National Lending**
Net interest income	$ 1,179,751	$ 348,323	$ 460,744	$ 1,988,818
Non-interest income	881,304	21,181	311,439	1,213,924
Provision for loan and lease losses	451,782	161,145	249,448	862,375
Non-interest expenses	899,062	154,014	358,806	1,411,882
Income tax provision	248,574	19,021	56,771	324,366
Net income	$ 461,637	$ 35,324	$ 107,158	$ 604,119
Loans held for investment	$ 51,127,654	$ 21,158,797	$ 26,623,519	$ 98,909,970

(1) Income statement adjustments for the three months ended September 30, 2007 reclassify the net of finance charges of $1,659.5 million, past due fees of $262.7 million, other interest income of $(42.7) million and interest expense of $700.5 million; and net charge-offs of $547.3 million to non-interest income from net interest income and provision for loan and lease losses, respectively.

Income statement adjustments for the three months ended September 30, 2006 reclassify the net of finance charges of $1,357.3 million, past due fees of $229.0 million, other interest income of $(55.5) million and interest expense of $607.5 million; and net charge-offs of $437.3 million to non-interest income from net interest income and provision for loan losses, respectively.

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	Nine Months Ended September 30, 2007					
	National	Local		Total	Securitization	Total
Total Company	**Lending**	**Banking**	**Other**	**Managed**	**Adjustments (1)**	**Reported**
Net interest income	**$ 6,414,011**	**$ 1,742,959**	**$ (137,733)**	**$ 8,019,237**	**$ (3,251,639)**	**$ 4,767,598**
Non-interest income	**3,627,784**	**605,926**	**(34,174)**	**4,199,536**	**1,696,347**	**5,895,883**
Provision for loan and lease losses	**2,914,452**	**(10,580)**	**(6,288)**	**2,897,584**	**(1,555,292)**	**1,342,292**
Restructuring expenses			**110,428**	**110,428**		**110,428**
Other non-interest expenses	**4,156,058**	**1,646,450**	**29,867**	**5,832,375**		**5,832,375**
Income tax provision (benefit)	**1,022,271**	**248,853**	**(162,845)**	**1,108,279**		**1,108,279**
Net income (loss)	**$ 1,949,014**	**$ 464,162**	**$ (143,069)**	**$ 2,270,107**	**$**	**$ 2,270,107**
Loans held for investment	**$ 102,556,271**	**$ 42,233,665**	**$ (21,375)**	**$ 144,768,561**	**$ (50,980,053)**	**$ 93,788,508**
Total deposits	**$ 2,295,131**	**$ 73,419,558**	**$ 7,628,125**	**$ 83,342,814**		**$ 83,342,814**

	Nine Months Ended September 30, 2006					
	National	Local		Total	Securitization	Total
Total Company	**Lending**	**Banking**	**Other**	**Managed**	**Adjustments (1)**	**Reported**
Net interest income	$ 5,887,279	$ 752,350	$ (46,008)	$ 6,593,621	$ (2,895,147)	$ 3,698,474
Non-interest income	3,418,912	334,050	(56,027)	3,696,935	1,632,614	5,329,549
Provision for loan and lease losses	2,197,012	21,948	6,854	2,225,814	(1,262,533)	963,281
Restructuring expenses						
Other non-interest expenses	4,096,576	860,063	24,366	4,981,005		4,981,005
Income tax provision (benefit)	1,054,750	71,536	(66,314)	1,059,972		1,059,972
Net income (loss)	$ 1,957,853	$ 132,853	$ (66,941)	$ 2,023,765	$	$ 2,023,765
Loans held for investment	$ 98,909,970	$ 13,326,088	$ 2,488	$ 112,238,546	$ (48,626,377)	$ 63,612,169
Total deposits	$ 2,461,941	$ 35,163,849	$ 9,987,360	$ 47,613,150	$	$ 47,613,150

	Nine Months Ended September 30, 2007			
			Global	Total
		Auto	Financial	National
National Lending sub-segment detail	**U.S. Card**	**Finance**	**Services**	**Lending**
Net interest income	**$ 3,757,975**	**$ 1,123,613**	**$ 1,532,423**	**$ 6,414,011**
Non-interest income	**2,596,536**	**97,373**	**933,875**	**3,627,784**
Provision for loan and lease losses	**1,438,853**	**626,873**	**848,726**	**2,914,452**
Non-interest expenses	**2,485,259**	**474,267**	**1,196,532**	**4,156,058**
Income tax provision	**836,057**	**41,227**	**144,987**	**1,022,271**
Net income	**$ 1,594,342**	**$ 78,619**	**$ 276,053**	**$ 1,949,014**
Loans held for investment	**$ 49,573,279**	**$ 24,335,242**	**$ 28,647,750**	**$ 102,556,271**

	Nine Months Ended September 30, 2006			
			Global	Total
		Auto	Financial	National
National Lending sub-segment detail	**U.S. Card**	**Finance**	**Services**	**Lending**

Net interest income	$ 3,521,274	$ 1,021,560	$ 1,344,445	$ 5,887,279
Non-interest income	2,459,800	67,241	891,871	3,418,912
Provision for loan and lease losses	1,089,921	343,664	763,427	2,197,012
Non-interest expenses	2,604,665	437,784	1,054,127	4,096,576
Income tax provision	800,272	107,573	146,905	1,054,750
Net income	$ 1,486,216	$ 199,780	$ 271,857	$ 1,957,853
Loans held for investment	$ 51,127,654	$ 21,158,797	$ 26,623,519	$ 98,909,970

(1) Income statement adjustments for the nine months ended September 30, 2007 reclassify the net of finance charges of $4,686.1 million, past due fees of $703.0 million, other interest income of $(120.6) million and interest expense of $2,016.9 million; and net charge-offs of $1,555.3 million to non-interest income from net interest income and provision for loan and lease losses, respectively.

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Income statement adjustments for the nine months ended September 30, 2006 reclassify the net of finance charges of $4,062.6 million, past due fees of $722.5, other interest income of $(178.8) million and interest expense of $1,711.2 million; and net charge-offs of $1,262.5 million to non-interest income from net interest income and provision for loan losses, respectively.

Note 5

Comprehensive Income

Comprehensive income for the three months ended September 30, 2007 and 2006, respectively was as follows:

	Three Months Ended September 30	
	2007	**2006**
Comprehensive Income:		
Net (loss) income	**$ (81,658)**	$ 587,839
Other comprehensive income, net of tax	**100,753**	113,807
Total comprehensive income	**$ 19,095**	$ 701,646

Note 6

Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	**2006**	**2007**	**2006**
Numerator:				
Income from continuing operations, net of tax	**$ 816,371**	$ 587,839	**$ 2,270,107**	$ 2,023,765
(Loss) from discontinued operations, net of tax	**(898,029)**		**(926,343)**	
Net (loss) income	**$ (81,658)**	$ 587,839	**$ 1,343,764**	$ 2,023,765
Denominator:				
Denominator for basic earnings per share - Weighted-average shares	**386,133**	301,571	**395,199**	300,524
Effect of dilutive securities:				
Stock options	**3,772**	7,520	**5,088**	8,056
Contingently issuable shares			**255**	
Restricted stock	**939**	1,294	**710**	1,223
Dilutive potential common shares	**4,711**	8,814	**6,053**	9,279
Denominator for diluted earnings per share - Adjusted weighted-average shares	**390,844**	310,385	**401,252**	309,803
Basic earnings per share				
Income from continuing operations	**2.11**	1.95	**5.74**	6.73
(Loss) from discontinued operations	**(2.32)**		**(2.34)**	
Net (loss) income	**$ (0.21)**	$ 1.95	**$ 3.40**	$ 6.73

Diluted earnings per share				
Income from continuing operations	**2.09**	1.89	**5.66**	6.53
(Loss) from discontinued operations	**(2.30)**		**(2.31)**	
Net (loss) income	**$ (0.21)**	$ 1.89	**$ 3.35**	$ 6.53

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Note 7

Goodwill and Other Intangible Assets

The following table provides a summary of goodwill.

Total Company	National Lending	Local Banking	Other	Discontinued Operations	Total
Balance at December 31, 2006	$ 2,278,880	$ 1,623,928	$ 9,732,627	$	$ 13,635,435
Transfers	4,804,007	4,278,620	(9,732,627)	650,000	
Additions					
Adjustments		(28,924)			(28,924)
Disposals		(9,151)		(650,000)	(659,151)
Foreign Currency Translation	5,478				5,478
Balance at September 30, 2007	$ 7,088,365	$ 5,864,473	$	$	$ 12,952,838

National Lending Detail	U.S. Card	Auto Finance	Global Financial Services	National Lending Total
Balance at December 31, 2006	$ 762,284	$ 763,648	$ 752,948	$ 2,278,880
Transfers	2,368,716	1,341,339	1,093,952	4,804,007
Additions				
Adjustments				
Disposals				
Foreign Currency Translation			5,478	5,478
Balance at September 30, 2007	$ 3,131,000	$ 2,104,987	$ 1,852,378	$ 7,088,365

As of December 1, 2006, the Company acquired North Fork Bancorporation, Inc., a commercial and retail bank in New York, which created $9.7 billion of goodwill. The goodwill associated with the acquisition of North Fork was held in the Other category at December 31, 2006. The North Fork acquisition goodwill was allocated across the operating segments during the first quarter of 2007, based on an increase in the relative fair value of each respective segment resulting from the acquisition.

For the nine months ended September 30, 2007, purchase accounting adjustments to assets of $29.3 million, liabilities of $(39.2) million and to equity of $(10.4) million associated with the acquisition of North Fork in 2006, and adjustments to liabilities of $(7.3) million and to equity of $(1.3) million associated with the acquisition of Hibernia in 2005, were made to the Local Banking segment. In addition, $9.2 million of goodwill associated with the divestiture of one its subsidiaries, Hibernia Insurance Agency, was removed from the Local Banking segment.

Goodwill impairment is tested at the reporting unit level, which is an operating segment or one level below on an annual basis in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*. In the third quarter of 2007, the Company shutdown the mortgage origination operations of its wholesale mortgage banking unit, GreenPoint. As a result of the closure of the mortgage originations business, a goodwill impairment loss of $650.0 million ($646.0 million after tax) was recognized as part of discontinued operations.

For the nine months ended September 30, 2007, no additional impairment on goodwill was required to be recognized.

In connection with the acquisitions of Hibernia and North Fork, the Company recorded intangible assets that consisted of core deposit intangibles, trust intangibles, lease intangibles, and other intangibles, which are subject to amortization. The core deposit and trust intangibles reflect the estimated value of deposit and trust relationships. The lease intangibles reflect the difference between the contractual obligation under current lease contracts and the fair market value of the lease contracts at the acquisition date. The other intangible items relate to customer lists, brokerage relationships and insurance contracts. The following table summarizes the Company s purchase accounting intangible assets subject to amortization.

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	September 30, 2007			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
Core deposit intangibles	$ 1,320,000	$ (254,504)	$ 1,065,496	10.4 years
Lease intangibles	46,527	(8,600)	37,927	7.8 years
Trust intangibles	10,500	(2,071)	8,429	16.3 years
Other intangible	8,576	(2,546)	6,030	10.3 years
Total	$ 1,385,603	$ (267,721)	$ 1,117,882	

Intangibles are amortized on an accelerated basis over their respective estimated useful lives. Intangible assets are recorded in Other assets on the balance sheet. Amortization expense related to purchase accounting intangibles totaled $55.0 million and $167.8 million for the three months and nine months ended September 30, 2007. Amortization expense for intangibles is recorded to non-interest expense. The weighted average amortization period for all purchase accounting intangibles is 10.3 years.

Note 8

Mortgage Servicing Rights

Mortgage Servicing Rights (MSRs), are recognized when mortgage loans are sold in the secondary market and the right to service these loans are retained for a fee, and are carried at fair value; changes in fair value are recognized in mortgage servicing and other. The Company continues to operate the mortgage servicing business and to report the changes in the fair value of MSRs in continuing operations. To evaluate and measure fair value, the underlying loans are stratified based on certain risk characteristics, including loan type, note rate and investor servicing requirements. The following table sets forth the changes in the fair value of mortgage servicing rights:

	Three Months Ended
Mortgage Servicing Rights:	**September 30, 2007**