Press Release

Contacts:
Investor Relations
Jeff Norris 703.720.2455
Danielle Dietz 703.720.2455

Media Relations
Tatiana Stead 703.720.2352
Julie Rakes 804.284.5800

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Capital One Reports Third Quarter Net Income of $425.6 million, or $0.94 per share

Income from continuing operations of $1.03 per share

Third Quarter Highlights

- Managed revenue increased $482.0 million, or 11.6 percent, relative to the second quarter.
- Provision expense increased $296.4 million, due to an anticipated increase in charge-offs as well as a modest allowance build of $31.7 million in the third quarter.
- Allowance as a percentage of reported loans rose to 5.08 percent in the third quarter of 2009 from 4.84 percent in the second quarter of 2009.
- Tangible common equity to tangible managed assets, or "TCE ratio," increased to 6.2 percent, up 52 basis points from the June 30, 2009 ratio of 5.7 percent, and Tier 1 capital rose to 11.8 percent.

McLean, Va. (October 22, 2009) – Capital One Financial Corporation (NYSE: COF) today announced net income for the third quarter of 2009 of $425.6 million, or $0.94 per common share (diluted), versus second quarter 2009 net income of $224.2 million, or $0.53 per common share (diluted), before taking into account the impact from the repayment of the government's TARP preferred share investment. In the third quarter of 2008, the company reported $374.1 million, or $1.00 per common share (diluted).

"We've worked for years to position our company to be resilient, and our third quarter results demonstrate that resiliency in the midst of the most challenging economic cycle we've seen in generations," said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. "We are successfully weathering the storm, but the storm is not over. Therefore, we will continue to take the decisive actions necessary to place our company in the best position to navigate the downturn and drive shareholder value over the cycle."

Total Company Results

- Total managed revenue in the third quarter of 2009 was $4.6 billion, an increase of $482.0 million, or 11.6 percent, relative to the second quarter. Net interest income increased $298.3 million in the third quarter, or 10.1 percent, while non-interest income increased $183.7 million, or 15.4 percent. The increase in revenue was driven primarily by higher yields in Domestic Card, lower funding costs, a sequential improvement in valuation adjustments to retained securitization interests, and opportunistic moves in the investment portfolio that resulted in gains from securities sales.
- Provision expense increased $296.4 million quarter over quarter, due to an anticipated increase in charge-offs as well as a $31.7 million allowance build in the third quarter compared to a second quarter release of

$166.2 million. The total company allowance build was a result of a significant increase in the Commercial Banking allowance partially offset by releases in both the Credit Card and Consumer Banking allowances.

- Credit Card total allowance release of $78 million
  - Domestic credit card release of $89 million
  - International credit card build of $11 million
- Consumer Banking total allowance release of $124 million
  - Auto release of $190 million
  - Other Consumer Banking build of $66 million
- Commercial Banking total allowance build of $256 million

- Allowance as a percentage of reported loans rose to 5.08 percent in the third quarter of 2009 from 4.84 percent in the second quarter of 2009 and from 3.59 percent from the third quarter of 2008, excluding the effect of Chevy Chase Bank.
- Average deposits decreased by $3.7 billion in the quarter to $115.9 billion, or 3.1 percent, over the prior quarter.
- The cost of managed interest-bearing liabilities decreased from 2.40 percent in the second quarter to 2.28 percent in the third quarter as the company benefited from lower interest rates and continued to replace the run off of higher cost funding with lower cost Consumer Banking and Commercial Banking deposits. The total cost of funds declined 12 basis points to 2.28 percent in the third quarter.
- Average assets held for investment decreased $4.9 billion in the quarter, driven primarily by reductions in loans outstanding.
- Non-interest expenses declined $119.3 million in the third quarter of 2009, driven primarily by the absence of the FDIC special assessment that impacted the second quarter as well as modestly lower marketing and restructuring expenses. The managed efficiency ratio decreased to 38.36 percent in the third quarter of 2009 from 45.28 percent in the second quarter of 2009, driven largely by increasing revenue.
- The company's TCE ratio increased to 6.2 percent on September 30, 2009, an improvement of 52 basis points from the second quarter level of 5.7 percent. The Tier 1 risk-based capital ratio of an estimated 11.8 percent, increased 2.1 percentage points, and continues to be well above the regulatory well-capitalized minimum.

"Despite continued credit pressures, Capital One posted solid growth in both revenues and bottom-line profits in the third quarter," said Gary L. Perlin, Capital One's Chief Financial Officer. "Our strong balance sheet is supported by healthy reserve levels and a tangible common equity ratio that grew to 6.2 percent, which positions the company against downside risk while enabling future growth."

Segment Results

During the third quarter of 2009, the company realigned its business segment reporting structure to better reflect the manner in which the performance of the company's operations is evaluated. The company now reports the results of its business through three operating segments: Credit Card, Commercial Banking, and Consumer Banking.

Credit Card Highlights

For details on the sub-segments' results, please refer to the Financial Supplement.

The Credit Card segment reported net income in the third quarter of $291.7 million, an increase of $119.1 million, or 69.0 percent, from second quarter net income $172.6 million. Improving revenue margin in the Domestic Credit Card sub-segment drove the improved profitability despite higher provision expense.

- Revenues improved $296.4 million, or 11.0 percent, to $3.0 billion in the third quarter of 2009.
    - Domestic Card – revenues up $271.6 million, or 11.4 percent from the second quarter
    - International Card – revenues up $24.7 million, or 7.9 percent from the second quarter
- Revenue margin in the Domestic Card sub-segment improved to approximately 16.8 percent in the third quarter, up from 14.5 percent in the second quarter. The company expects Domestic Card revenue margin to remain above 16 percent in the fourth quarter. In 2010, the company expects Domestic Card quarterly revenue margin to moderate modestly, but remain close to its fourth quarter 2009 level.
- Period-end loans in the Credit Card segment were $70.4 billion, a decline of $3.0 billion, or 4.1 percent, from the second quarter of 2009.
    - Domestic Card – loans declined $2.9 billion, or 4.4 percent from the second quarter. The continuing run-off of nationally-originated Installment Loans drove approximately 40 percent of the decline, although they comprise only 13 percent of the Domestic Card loan balances.
    - International Card – loans declined $0.2 billion or 1.9 percent from the second quarter
- The managed net charge-off rate for the Credit Card segment increased 35 basis points to 9.59 percent in the third quarter of 2009 from 9.24 percent in the second quarter of 2009, primarily as a result of the continuing difficult credit environment.
    - Domestic Card – net charge-offs increased to 9.64 percent in the third quarter from 9.23 percent in the second quarter. The increase was driven by declining balances, the implementation of the OCC minimum payment policies, and the absence of the one-time second quarter benefit from a change in bankruptcy processing partially offset by favorable seasonal trends and a modest improvement in the underlying charge-off rate.
    - International Card – net charge-offs decreased to 9.19 percent in the third quarter from 9.32 percent in the second quarter.
- The delinquency rate for the Credit Card segment increased 54 basis points to 5.53 percent in the third quarter of 2009 from 4.99 percent in the second quarter of 2009.
    - Domestic Card – delinquencies increased to 5.38 percent in the third quarter from 4.77 percent in the second quarter, reflecting seasonal patterns as well as revenue enhancements taken earlier in 2009.
    - International Card – delinquencies remained basically flat, decreasing to 6.63 percent in the third quarter from 6.69 percent in the second quarter.

Commercial Banking highlights

For more lending information and statistics on the segment results, please refer to the Financial Supplement.

The Commercial Banking segment consists of commercial and multi-family real-estate, middle market lending, and specialty lending, which are summarized under Commercial Lending, and small ticket commercial real estate. The total segment reported a net loss of $130.2 million in the third quarter, down from a profit of $29.8 million in the prior quarter, driven by a $252.6 million increase in the loss provision relative to the second quarter. The provision expense increased primarily as a result of a large allowance build in anticipation of future credit losses. The two most important drivers of the allowance build were the significant decline in collateral values, particularly in the company's construction portfolio, and recognizing the effects of higher charge-offs.

- Commercial Banking revenue increased $16.8 million, or 5.2 percent, to $340.8 million in the third quarter of 2009, while non-interest expenses increased $10.5 million, or 6.7 percent, to $166.0 million.
- Average loans declined $391.6 million, or 1.3 percent, to $30.1 billion during the third quarter from $30.5 billion during the second quarter of 2009.
  - Commercial Lending – declined $320.5 million, or 1.1 percent, to $27.6 billion
  - Small ticket commercial real estate – declined $71.1 million, or 2.8 percent, to $2.5 billion
- Average deposits increased $739.9 million, or 4.3 percent, to $17.8 billion during the third quarter from $17.0 billion during the second quarter of 2009, while the deposit interest expense was effectively stable at 75 basis points.
- The managed net charge-off rate for Commercial Banking increased 53 basis points in the third quarter of 2009 to 1.42 percent from 0.89 percent in the second quarter of 2009.
  - Commercial Lending – 1.08 percent, an increase of 28 basis points over the second quarter of 2009
  - Small ticket commercial real estate – 5.19 percent, an increase of 333 basis points over the second quarter of 2009
- Non-performing loans as a percentage of loans held for investment for Commercial Banking was 2.64 percent, an increase of 32 basis points from 2.32 percent at the end of the second quarter of 2009.

Consumer Banking highlights

For more lending information and statistics on the segment's results, please refer to the Financial Supplement.

Consumer Banking reported net income for the third quarter of $184.6 million. Revenue increased $56.5 million in the quarter, with improvements across the Consumer Banking segment. Provision expense declined $46.0 million, driven by an allowance release in the auto finance business. Non-interest expense declined $43.4 million.

- Average loans declined $1.7 billion, or 4.0 percent, to $41.3 billion during the third quarter. Auto finance loans declined as a result of the company's earlier efforts to retrench and reposition the auto finance business. Mortgage loans fell as the company continued to experience expected run off in the portfolio.
  - Auto – declined $667.3 million, or 3.3 percent, to $19.6 billion
  - Mortgages – declined $857.3 million, or 5.0 percent, to $16.2 billion
  - Retail banking – declined $211.4 million, or 3.7 percent, to $5.5 billion
- Average deposits in the Consumer Banking segment declined $1.0 billion, or 1.4 percent, to $73.3 billion during the third quarter from $74.3 billion during the second quarter of 2009. Improved deposit mix and favorable interest rates drove an 18 basis point improvement in the deposit interest expense rate in the third quarter.
- The managed net charge-off rate for Consumer Banking increased 46 basis points in the third quarter of 2009 to 2.67 percent from 2.21 percent in the second quarter of 2009.
  - Auto – 4.38 percent, an increase of 73 basis points over the second quarter
  - Mortgages – 0.68 percent, an increase of 26 basis points from the second quarter
  - Retail Banking – 2.44 percent, an increase of 3 basis points from the second quarter

The company generates earnings from its managed loan portfolio, which includes both on-balance sheet loans and securitized (off-balance sheet) loans. For this reason, the company believes managed financial measures to be useful to stakeholders. In compliance with Regulation G of the Securities and Exchange Commission, the company is providing a numerical reconciliation of managed financial measures to comparable measures calculated on a reported basis using generally accepted accounting principles (GAAP). Please see the schedule titled "Reconciliation to GAAP Financial Measures" attached to this release for more information.

Forward looking statements

The company cautions that its current expectations in this release, in the presentation slides available on the company's website and in its Form 8-K dated October 22, 2009, including those regarding Domestic Card revenue margin in the fourth quarter of 2009 and in 2010; and the company's plans, objectives, expectations, and intentions, are forward-looking statements. Actual results could differ materially from current expectations due to a number of factors, including: general economic conditions in the U.S., the UK, or the company's local markets, including conditions affecting consumer income, confidence, spending, and savings which may affect consumer bankruptcies, defaults, charge-offs, deposit activity, and interest rates; changes in the labor and employment market; changes in the credit environment; the company's ability to execute on its strategic and operational plans; competition from providers of products and services that compete with the company's businesses; increases or decreases in the company's aggregate accounts and balances, or the growth rate and/or composition thereof; changes in the reputation of or expectations regarding the financial services industry or the company with respect to practices, products or financial condition; financial, legal, regulatory, tax or accounting changes or actions, including with respect to any litigation matter involving the company; and the success of the company's marketing efforts in attracting or retaining customers. A discussion of these and other factors can be found in the company's annual report and other reports filed with the Securities and Exchange Commission, including, but not limited to, the company's reports on Form 10-K for the fiscal year ended December 31, 2008 and reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009.

About Capital One

Capital One Financial Corporation (www.capitalone.com) is a financial holding company whose subsidiaries, which include Capital One, N.A. and Capital One Bank (USA), N. A., had $114.5 billion in deposits and $209.7 billion in total managed assets outstanding as of September 30, 2009. Headquartered in McLean, Virginia, Capital One offers a broad spectrum of financial products and services to consumers, small businesses and commercial clients. Capital One, N.A. has approximately 1,000 branch locations primarily in New York, New Jersey, Texas, Louisiana, Maryland, Virginia, and the District of Columbia. A Fortune 500 company, Capital One trades on the New York Stock Exchange under the symbol "COF" and is included in the S&P 100 index.

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NOTE: Third quarter 2009 financial results, SEC Filings, and earnings conference call slides are accessible on Capital One's home page (www.capitalone.com). Choose "Investors" on the bottom of the home page to view and download the earnings press release, slides, and other financial information. Additionally, a podcast and webcast of today's 5:00 pm (ET) earnings conference call is accessible through the same link.