



## Second Quarter 2009 Results

July 23, 2009

# Forward looking statements

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# Capital One earned \$224MM, or \$0.53 per share, in the second quarter of 2009, excluding the impact of TARP preferred shares redeemed in the quarter

	Q109 <sup>1</sup>	Q209 <sup>2</sup>	Change
Revenue excl. Retained Interest & Suppression	4,402	4,847	445
Retained Interests Valuation Changes	(128)	(127)	1
Revenue Suppression	(544)	(572)	(28)
<b>Revenue</b>	<b>3,730</b>	<b>4,148</b>	<b>418</b>
Marketing Expense	163	134	(29)
Operating Expense	1,565	1,744	179
Restructuring Expense	18	43	25
<b>Non-Interest Expense</b>	<b>1,745</b>	<b>1,922</b>	<b>177</b>
<b>Pre-Provision Earnings (before tax)</b>	<b>1,985</b>	<b>2,226</b>	<b>241</b>
Net Charge-offs	1,991	2,089	98
Other	17	(19)	(36)
Allowance Build (Release)	124	(166)	(290)
<b>Provision Expense</b>	<b>2,132</b>	<b>1,904</b>	<b>(228)</b>
<b>Operating Earnings (after tax)</b>	<b>(87)</b>	<b>230</b>	<b>317</b>
	(\$0.23) EPS	\$0.55 EPS	
Discontinued Operations	(25)	(6)	19
<b>Total Company (after tax)</b>	<b>(112)</b>	<b>224</b>	<b>336</b>
	(\$0.29) EPS	\$0.53 EPS	
<b>Available to Common Shareholders<sup>3</sup></b>	<b>(\$0.45) EPS</b>	<b>(\$0.65) EPS</b>	

<sup>1</sup> Includes one month of Chevy Chase

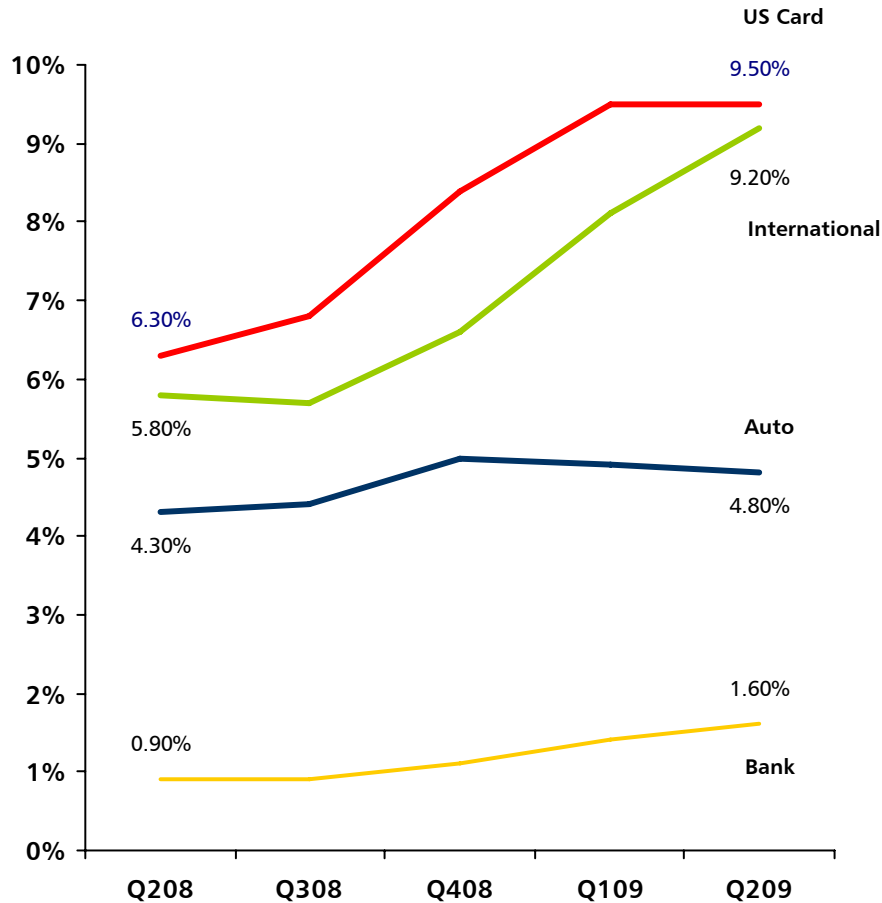
<sup>2</sup> Includes full quarter of Chevy Chase

<sup>3</sup> Includes TARP dividend and accounting impact of June redemption of TARP preferred shares

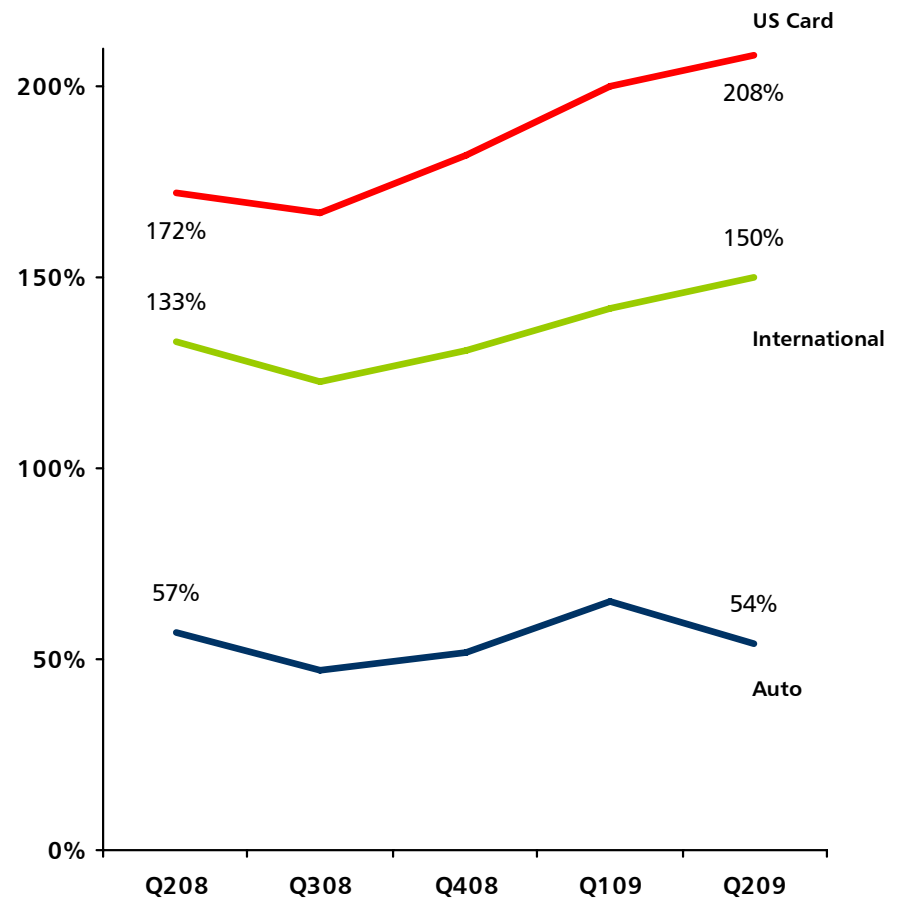


# We continued to increase allowance coverage ratios

## Allowance as % of Reported Loans



## National Lending Allowance as % of Reported 30+ Delinquencies

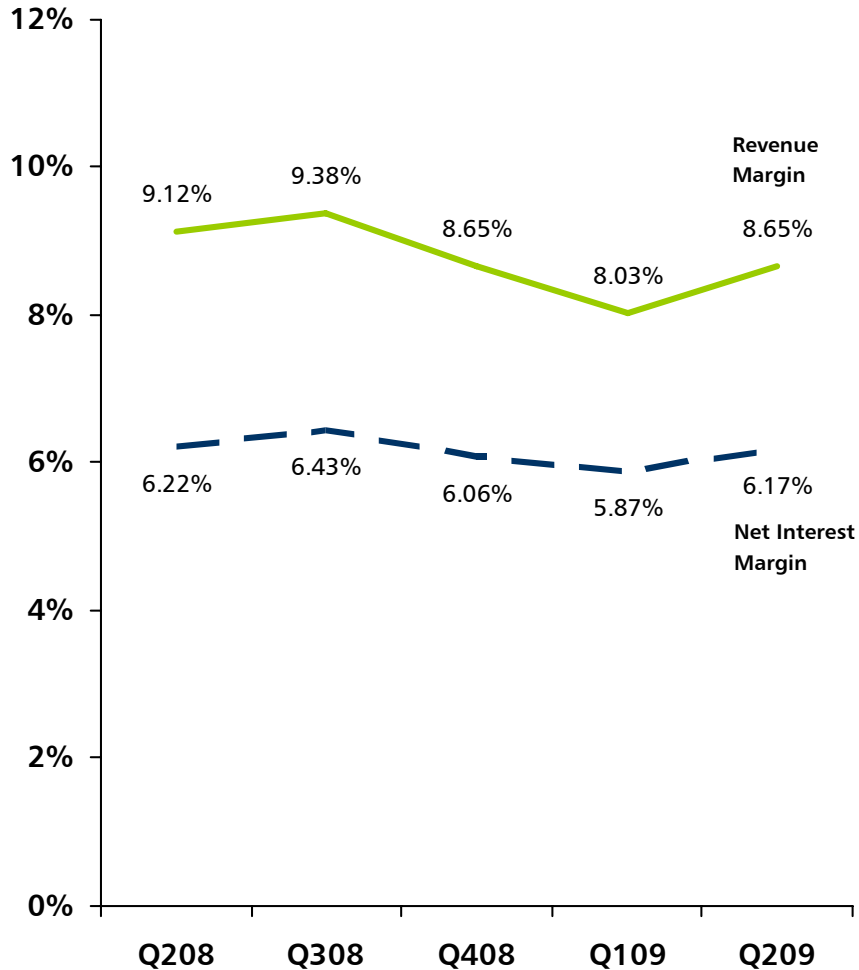


Total Company:	Q208	Q308	Q408	Q109	Q209
	3.33%	3.41%	3.59%	4.48%	4.84%

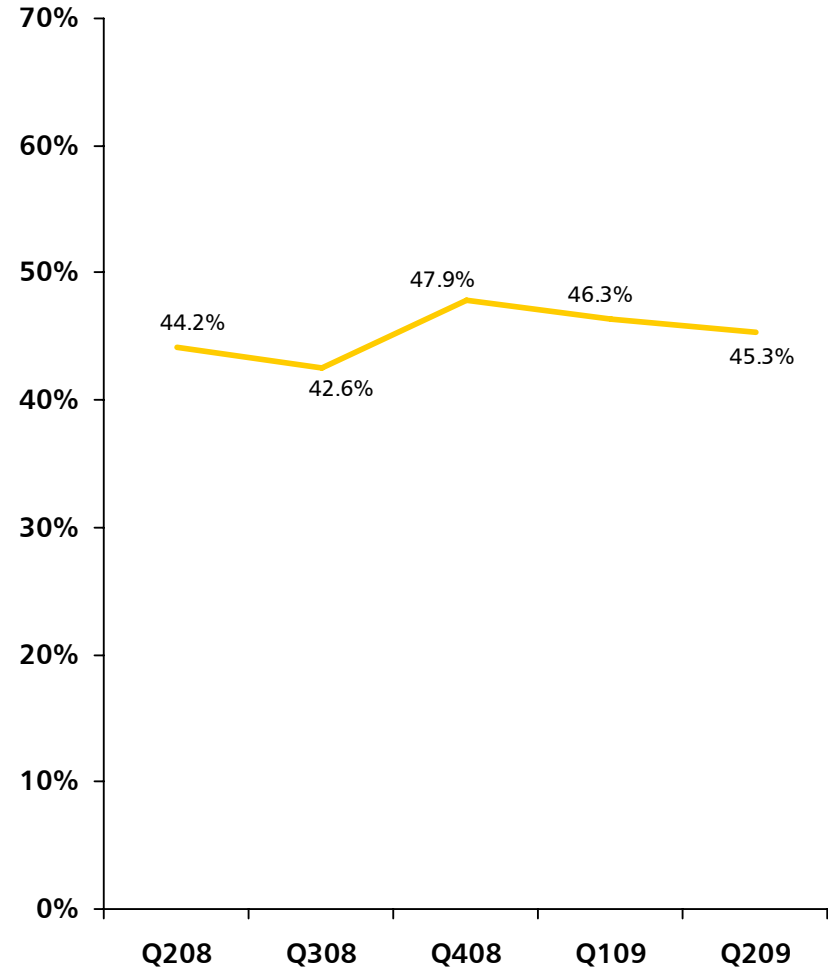


# Margins improved in the second quarter

## Margins as % of Managed Assets

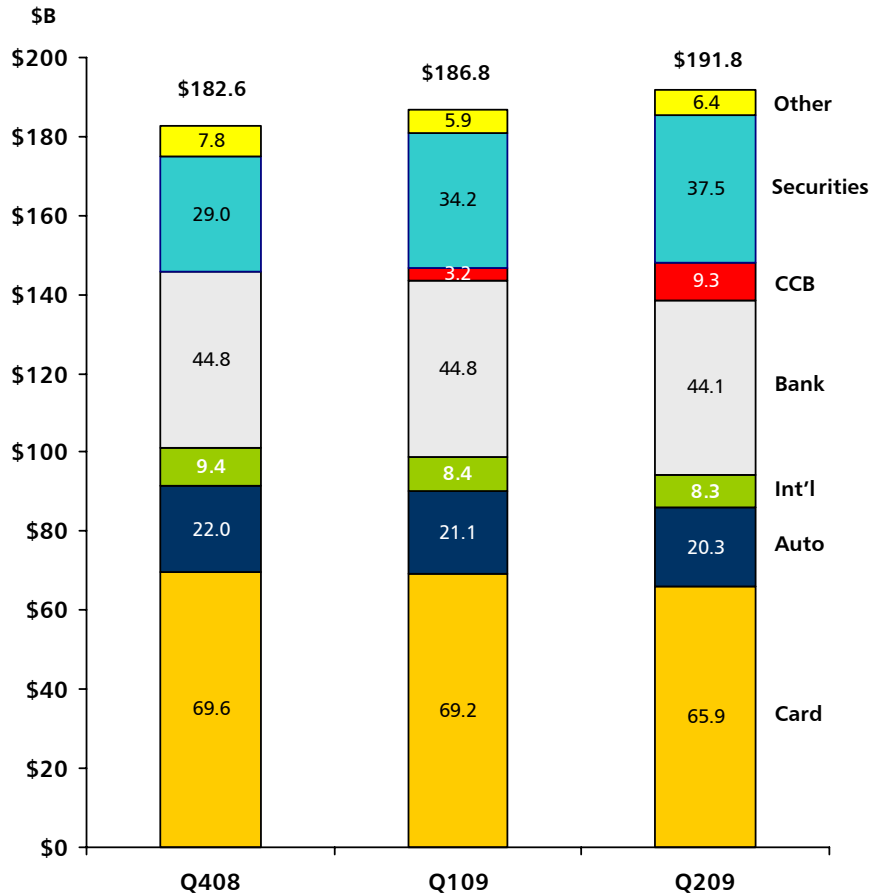


## Efficiency Ratio



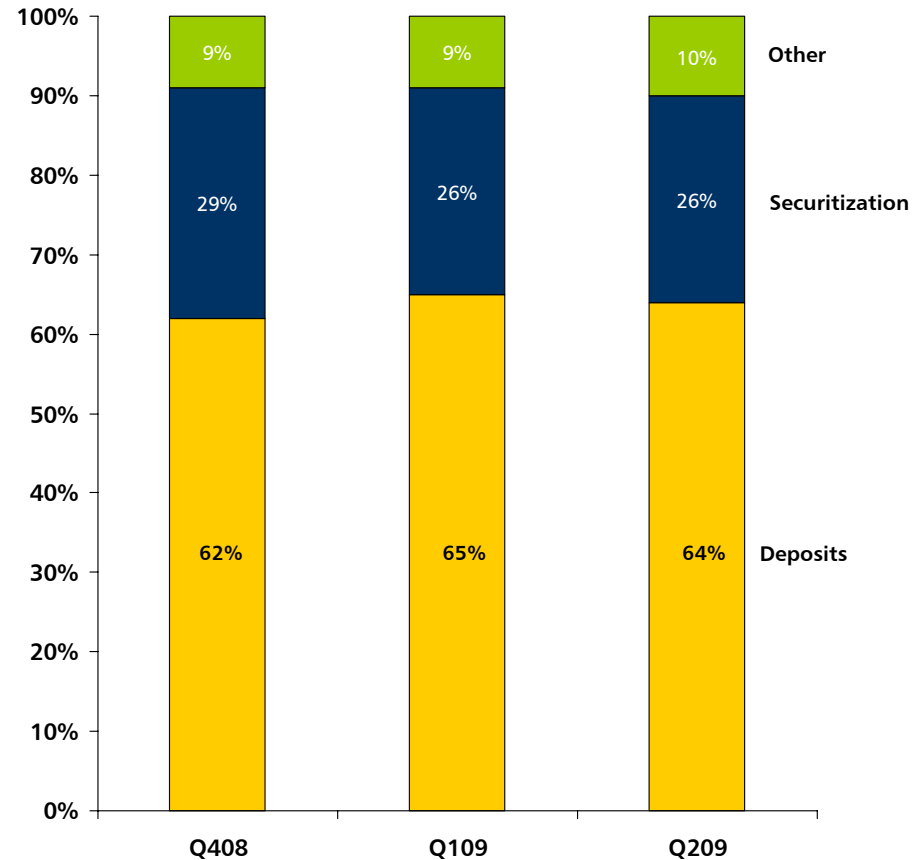
# Average cost of funds fell while asset yields remained constant

## Average Earning Asset Type



Weighted Avg Yield of Assets	Q408	Q109	Q209
	9.21%	8.33%	8.33%

## Average Funding Mix



Ending Loan/Deposit Ratio:	Q408	Q109	Q209
	1.35	1.24	1.25
Weighted Avg Cost of Funds	Q408	Q109	Q209
	3.52%	2.76%	2.40%

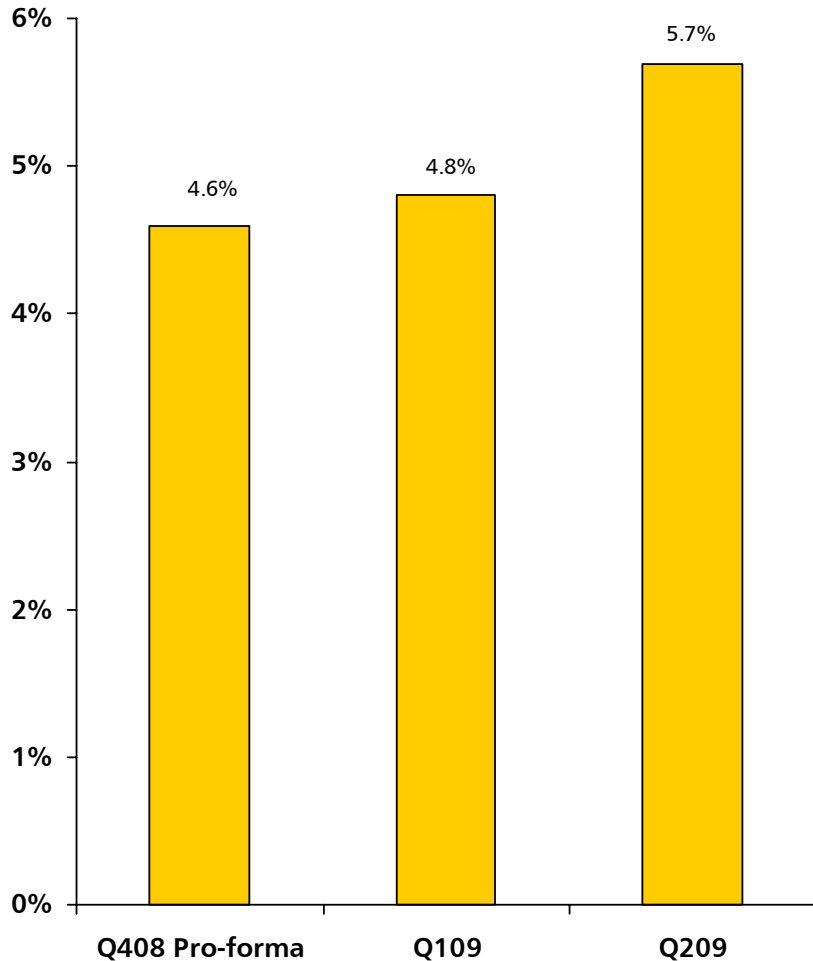


## Our low risk investment portfolio provides balance sheet flexibility

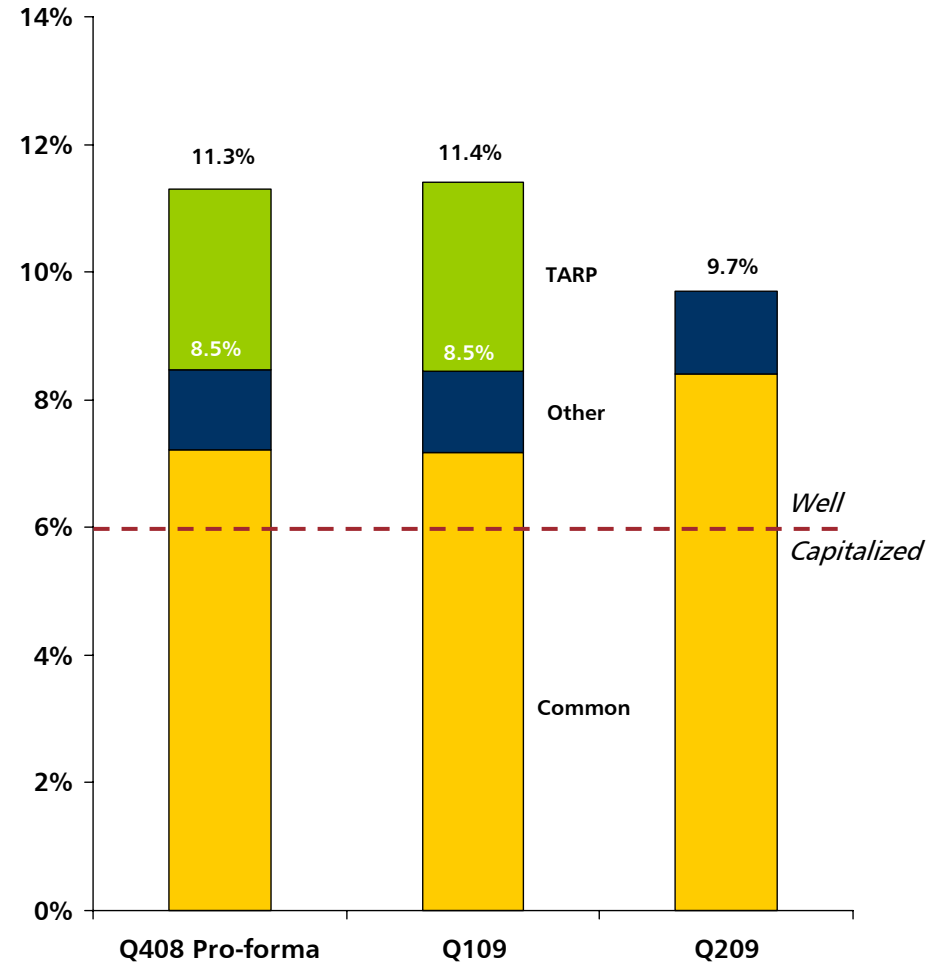
\$MM	<u>March 31, 2009</u>		<u>June 30, 2009</u>	
	Book Value	Net Unrealized Gain/(Loss)	Book Value	Net Unrealized Gain/(Loss)
Treasuries/Agencies	\$1,514	56	\$ 892	38
Agency MBS	25,908	528	26,414	547
Non-Agency MBS	3,533	(997)	3,263	(924)
ABS	4,475	(74)	5,900	97
CMBS	1,070	(121)	1,054	(56)
Other	<u>384</u>	<u>(7)</u>	<u>443</u>	<u>(1)</u>
<b>Total</b>	<b>\$36,884</b>	<b>\$(615)</b>	<b>\$37,966</b>	<b>\$(299)</b>

# Our capital ratios remain strong

## Tangible Common Equity to Tangible Managed Assets



## Tier 1 Capital to Risk Weighted Assets





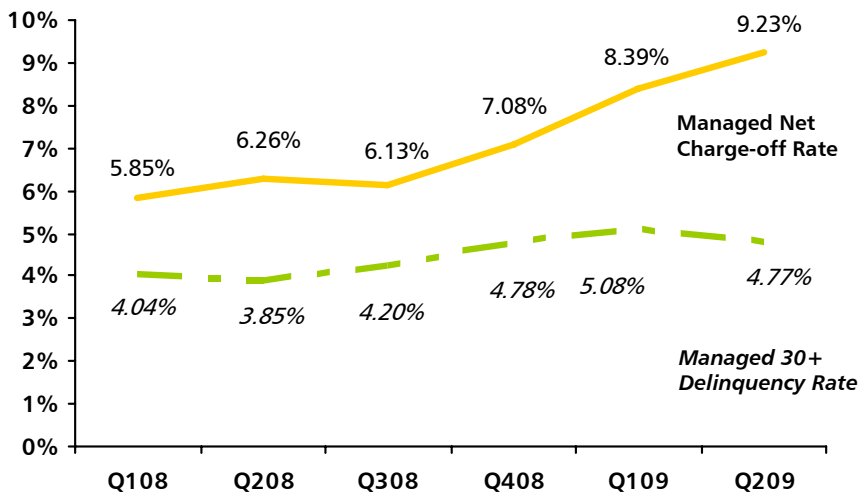
# Capital One delivered a profit from continuing operations of \$230MM

## Net Income from Continuing Operations (\$Millions)

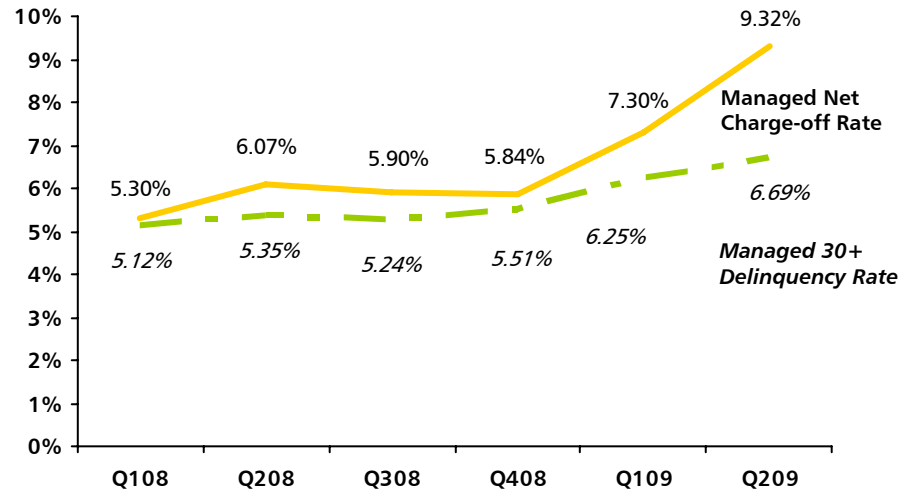
	Q408	Q109	Q209
	_____	_____	_____
<b>National Lending</b>			
US Card	\$ (175.6) \$	\$ 2.4	168.4
Auto Finance	(924.6)	71.4	97.2
International	(11.2)	2.0	5.2
<b>SUBTOTAL</b>	_____ (1,111.4)	_____ 75.8	_____ 270.8
<b>Local Banking</b>	(6.5)	(36.2)	(0.2)
<b>Other</b>	(278.4)	(126.6)	(40.4)
	_____	_____	_____
<b>Total Company</b>	\$ (1,396.3) \$	\$ (87.0)	230.2

# The worsening economy and denominator impacts drove rising delinquency and loss trends across most of our consumer lending businesses

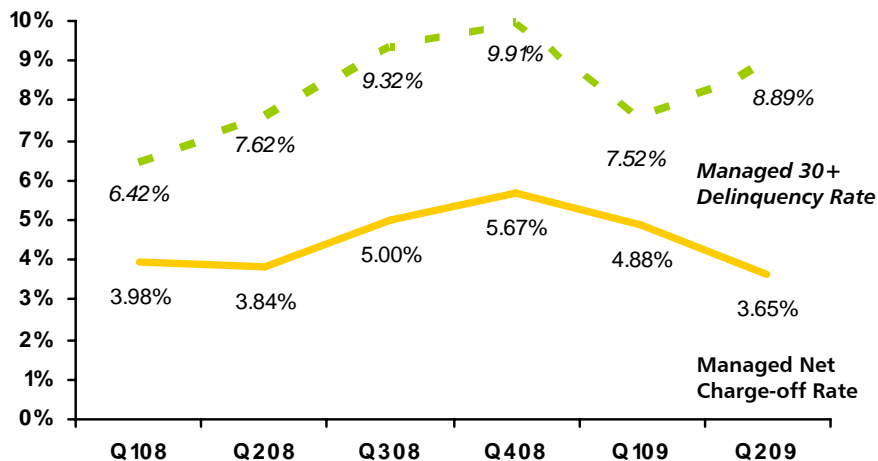
## US Card (\$64.8 B)



## International (\$8.6 B)

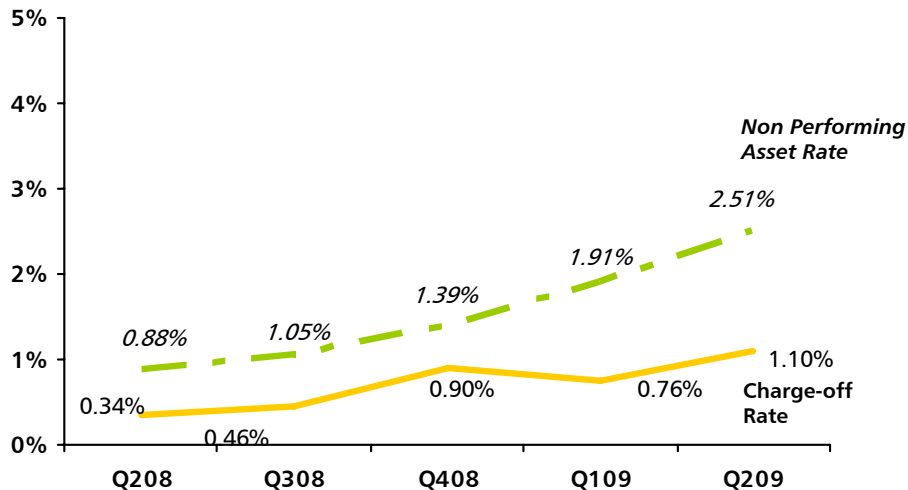


## Auto Finance (\$19.9 B)

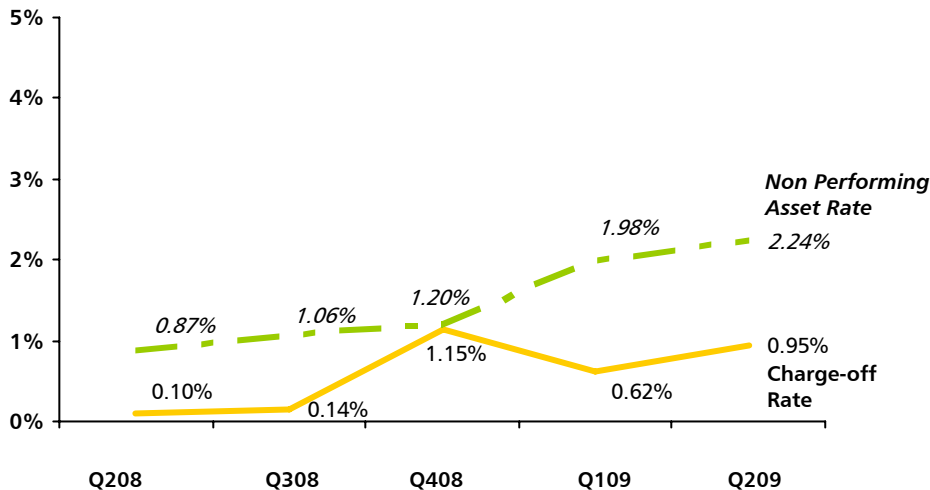


# The worsening economy and denominator impacts drove rising delinquency and loss trends across our commercial lending businesses

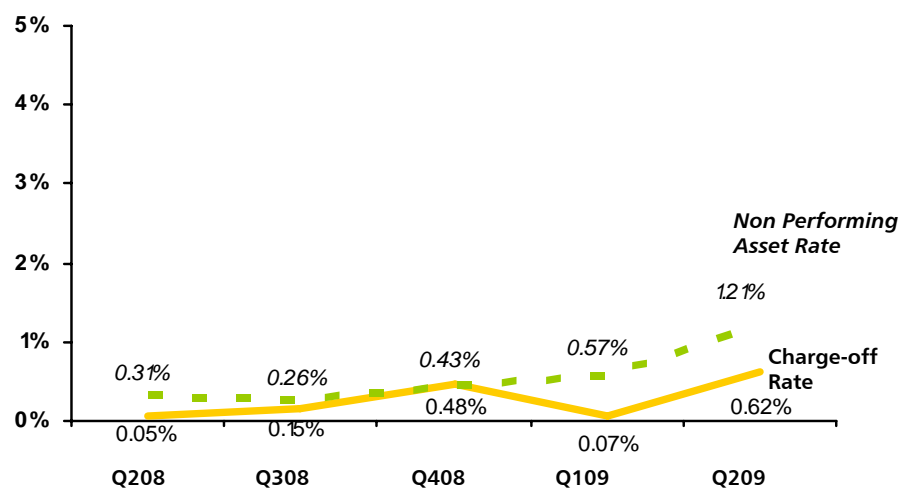
## Total Bank Segment (\$43.7 B)



## Commercial & Multi Family (\$13.6 B)



## Middle Market (\$9.8 B)



# The new law on credit card practices will bring significant change to the industry

## CARD Act

- Repricing
- Payment Allocation
- Fees

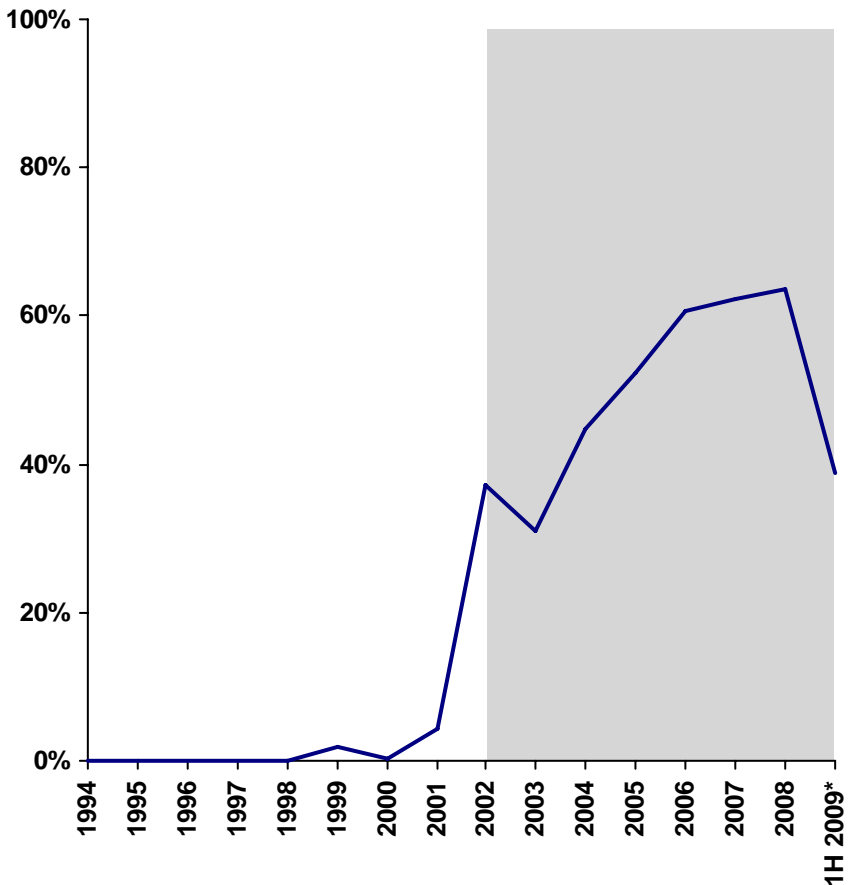


## Potential Impacts on US Credit Card Business

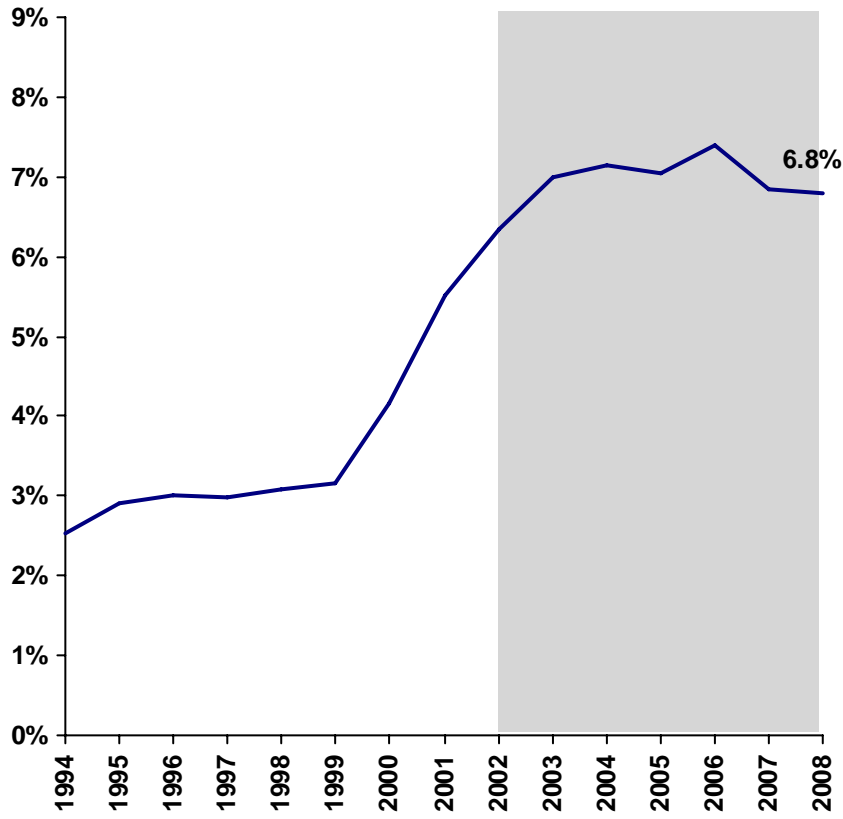
- Near Term:
  - Transitional risks
  - Potential profit pressures at the confluence of “The Great Recession” and implementation of the new law
- Long Term:
  - Constriction of credit
  - Reduced resilience
  - Redistribution of revenue model
  - Slightly lower, but still very attractive, returns
  - Level playing field

# The "level playing field" following the implementation of the CARD law could create opportunities for Capital One

**% of Mail with 0% Long Teasers**  
12 Months+



**Capital One Share of U.S. Card Industry Outstandings**



\*1H 2009 includes mail through March 2009  
 Note: Includes BT and purchase teasers; % of mail collected (not projected to industry)  
 Source: Mintel Comperemedia

# We continue to decisively and aggressively manage the company through the downturn for the benefit of shareholders

## Weather the Storm

- Decisive actions
  - Tightened underwriting
  - Retrenched or exited least resilient businesses
  - Increased collections intensity
  - Aggressively managing costs
  - Optimizing mix of earning assets, liabilities, and capital
- Balance sheet strength and flexibility
  - Historically high coverage ratios
  - Conservative investment portfolio
  - Deposit-led funding and strong liquidity
  - Strong capital

## Deliver Long-Term Value

- Positioned to grow when the time is right
  - Shift earning assets back to higher-margin loans as the cycle turns
  - Capital and funding provide significant balance sheet flexibility
- Scale and franchise value of core businesses intact, despite cyclical volume declines and regulatory changes
- Great Local Banking franchises with a high-return, sustainable credit card business

