Press Release

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Capital One Reports Net Income of $224.2 million, excluding the impact of TARP preferred shares redeemed in the quarter

Including the impact of TARP, loss per share in the second quarter was $0.65 (diluted)

Second Quarter Highlights

- Managed revenue increased 11.2 percent relative to the first quarter of 2009.
- Lower provision expense relative to the first quarter as an increase in charge-offs was more than offset by an allowance release of $166.2 million.
- The allowance release was due to a $4.5 billion reduction in reported loan balances.
- Allowance as a percentage of reported loans for the company remained stable and strong at 4.84 percent.
- Pre-tax results included an expense of $80.5 million for the FDIC special assessment.
- Repurchased the $3.6 billion of preferred stock issued through Treasury's Capital Purchase Program (CPP) of the Troubled Asset Relief Program (TARP).
- Tangible common equity to tangible managed assets, or "TCE ratio," increased to 5.7 percent, up 90 basis points from the March 31, 2009, ratio of 4.8 percent.

McLean, Va. (July 23, 2009) – Capital One Financial Corporation (NYSE: COF) today announced net income for the second quarter of 2009 of $224.2 million, or $0.53 per common share (diluted) prior to the impact of the government's TARP preferred share investment. After including the $461.7 million impact of the June redemption of the preferred shares and the $38.0 million dividend payment on those shares in the quarter, Capital One posted a net loss available to common shareholders of $0.65 per common share (diluted).

"Second quarter results reflect the economic environment and our actions to decisively manage the company through the downturn for the benefit of our shareholders," said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. "Despite turbulence in the marketplace, we believe that we remain well positioned to weather the storm, deliver shareholder value over the cycle, and achieve our vision of combining great local banking franchises with a high return credit card business."

Total Company Results

- Total managed revenues in the second quarter of 2009 of $4.1 billion increased $418.2 million, or 11.2 percent, relative to the first quarter. Net interest income increased $215.4 million in the second quarter while non-interest income increased $202.8 million. The increase in revenue was driven by a number of factors, including a full quarter of Chevy Chase Bank results and an improvement in both net interest and revenue margins.

- Provision expense was down $228.1 million quarter over quarter as the expected increase in charge-offs in the second quarter was more than offset by the $166.2 million allowance release in the quarter versus an increase in allowance of $124.1 million in the first quarter.
  - The allowance release was driven by a reduction in reported loan balances of $4.5 billion.
  - Allowance as a percentage of reported loans remained at 4.84 percent in the second quarter and increased 143 basis points from the second quarter of 2008.
- The full quarter effect of Chevy Chase Bank increased average deposits in the quarter by $7.5 billion, while total deposits on June 30, 2009, were $116.7 billion, a decline of $4.4 billion, or 3.6 percent, over the prior quarter, as the company allowed higher cost deposits to run-off as loans contracted in the quarter.
  - Deposits represented 65.0 percent of the company's total funding at the end of the second quarter.
  - Interest-bearing deposit costs decreased from 2.51 percent in the first quarter to 2.08 percent in the second quarter.
- The weighted average cost of funds decreased by 36 basis points, from 2.76 percent in the first quarter to 2.40 percent in the second quarter.
- Managed loans held for investment decreased by $4.1 billion, or 2.7 percent, from the first quarter of 2009 to $146.3 billion at June 30, 2009, and decreased $996.0 million, or 0.7 percent, from the year ago quarter, primarily as a result of the weak economic environment.
- Non-interest expense increased $176.7 million in the second quarter of 2009 as compared to the first quarter, primarily as a result of an expense of $80.5 million for the FDIC special assessment, which is recorded in the "Other" category, and from a full quarter of Chevy Chase Bank expenses.
  - The managed efficiency ratio decreased 103 basis points to 45.28 percent in the second quarter of 2009 from 46.31 percent in the first quarter of 2009.
- The company's TCE ratio was 5.7 percent on June 30, 2009, an improvement of 90 basis points from the first quarter level of 4.8 percent. The Tier 1 risk-based capital ratio of an estimated 9.7 percent reflects impact of the repayment of TARP preferred shares in the second quarter and continues to be well above the regulatory well-capitalized minimum.

"Our capital strength was evident in the quarter as we repaid the government's preferred share investment and increased our Tangible Common Equity ratio by 90 basis points to 5.7 percent," said Gary L. Perlin, Capital One's Chief Financial Officer. "In addition, the company's strong deposit franchise helped drive margin expansion through lower funding costs and will continue to serve as a cornerstone of our rock-solid balance sheet."

Segment Results

Local Banking Segment highlights

The Local Banking business posted a net loss of $0.2 million in the second quarter of 2009, an improvement of $36.0 million from the first quarter of 2009. (The results of Chevy Chase Bank are reported in the "Other" category.) The revenue increase in the quarter resulted from favorable loan and deposit pricing, higher average deposit balances, and improving deposit mix. Increases in non-performing loans and charge-offs in the

Commercial Lending portfolio were driven primarily by worsening in the Middle Market portfolio, while increases in the Consumer charge-offs and non-performing loans were attributed to falling home prices in the residential mortgage portfolio.

- Local Banking reported a net loss for the second quarter of 2009 of $0.2 million, versus a net loss in the first quarter of 2009 of $36.2 million.
- Revenues improved $43.3 million, or 5.5 percent, primarily due to an increase in deposit margins. Operating expenses increased $11.6 million relative to the first quarter of 2009.
- Local Banking deposits declined $612.5 million, or 0.8 percent, during the second quarter of 2009 to $78.5 billion, while the net interest margin on deposits increased by 21 basis points to 2.08 percent.
- Loans held for investment of $43.7 billion declined $795.7 million, or 1.8 percent, from the first quarter of 2009, primarily driven by the continued run-off of residential mortgage loans, and a decline in small business lending.
- The net charge-off rate increased 34 basis points to 1.10 percent in the second quarter of 2009 from 76 basis points in the first quarter of 2009, primarily as a result of the continuing difficult credit environment.
- Non-performing loans as a percentage of loans held for investment was 2.35 percent, an increase of 58 basis points from 1.77 percent at the end of the first quarter of 2009. The Commercial Loan portfolio's rate increased 47 basis points in the quarter while Consumer Lending's rate increased 78 basis points.

National Lending Segment highlights

The National Lending segment contains the results of the company's U.S. Card, Auto Finance and International Lending businesses. For details on each of these subsegments' results, please refer to the Financial Supplement.

National Lending reported a profit of $270.8 million in the second quarter, up from $75.9 million in the prior quarter, but down relative to $407.6 million in the year ago quarter. Each business within National Lending also reported a profit in the second quarter of 2009 – U.S. Card delivered $168.4 million, the Auto Finance business reported $97.2 million, and International contributed $5.2 million.

Performance in the National Lending segment primarily reflects expected continued economic deterioration during the second quarter, although the pace of deterioration was partially offset by seasonal benefits and the company's ongoing efforts to aggressively manage credit risk.

- National Lending segment revenues of $3.1 billion were up $11.5 million in the second quarter of 2009 compared to the first quarter of 2009, but down $253.7 million compared to the second quarter of 2008.
- Revenue margin expanded from 12.43 percent in the first quarter of 2009 to 13.03 percent in the second quarter for National Lending. The individual businesses also reported revenue margin expansion. The company now expects the full year U.S. Card revenue margin to be a bit below 15 percent.
- The managed net charge-off rate for the National Lending segment increased 49 basis points in the second quarter of 2009 to 8.04 percent from 7.55 percent in the first quarter of 2009.
  - U.S. Card – 9.23 percent, an increase of 84 basis points over the first quarter of 2009
  - Auto Finance - 3.65 percent, a decline of 123 basis points from the first quarter
  - International - 9.32 percent, an increase of 202 basis points over the first quarter of 2009

- The delinquency rate for the segment was 5.82 percent as of June 30, 2009, an increase of 12 basis points from 5.70 percent as of March 31, 2009.
  - U.S. Card – 4.77 percent, a decline of 31 basis points over the first quarter of 2009
  - Auto Finance – 8.89 percent, an increase of 137 basis points from the first quarter
  - International – 6.69 percent, an increase of 44 basis points over the first quarter of 2009
- Managed loans held for investment declined $2.5 billion, or 2.6 percent, to $93.3 billion from $95.8 billion at the end of the first quarter of 2009, and down 8.7 percent relative to the year-ago quarter.
  - U.S. Card – declined $2.3 billion, or 3.4 percent, to $64.8 billion
  - Auto Finance – declined $765.5 million, or 3.7 percent, to $19.9 billion
  - International – increased $568.5 million, or 7.0 percent, to $8.6 billion

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 July 23, 2009; 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 report on Form 10-Q for the quarter ended March 31, 2009.

About Capital One

Capital One Financial Corporation (www.capitalone.com) is a financial holding company whose subsidiaries, which include Capital One, N.A., Capital One Bank (USA), N. A., and Chevy Chase F.S.B. collectively, had

$116.7 billion in deposits and $146 billion in managed loans outstanding as of June 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. and Chevy Chase Bank, F.S.B. have 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: Second 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.