Capital One

Press Release

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Capital One Reports First Quarter Earnings per Share (diluted) of $1.47

Diluted earning per share from continuing operations of $1.70 increased 2.9%

McLean, Va. (April 17, 2008) – Capital One Financial Corporation (NYSE: COF) today announced earnings for the first quarter of 2008 of $548.5 million, or $1.47 per share (diluted). Earnings from continuing operations in the first quarter of 2008 were $632.6 million, or $1.70 per share (diluted). In the first quarter of 2007, the company reported earnings of $675.0 million, or $1.62 per share (diluted), and earnings from continuing operations of $686.1 million, or $1.65 per share (diluted). Earnings from continuing operations exclude the loss from discontinued operations related to the shutdown of GreenPoint Mortgage.

"In March, we completed a major milestone of our banking integration and launched the Capital One Bank brand in the New York region, marking the completion of our transformation into a diversified bank," said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. "We're well positioned to navigate near-term cyclical challenges with resilient businesses, experience in managing through prior cyclical downturns, and a strong balance sheet. We're actively managing the company to protect our franchises and deliver shareholder returns."

Highlights of the quarter:

- Results include a $200 million benefit related to the VISA initial public offering, a $310 million addition to the company's allowance for loan losses, and a $104 million increase to the GreenPoint Mortgage rep and warranty reserve.
- Credit performance was largely in line with expectations; but outlook significantly deteriorated due to weakness in U.S. economy.
- Managed loans declined $3.3 billion; deposits grew $4.9 billion.
- Ratio of tangible common equity (TCE) to tangible managed assets increased from 5.83 percent to 6.03 percent.
- Increased the quarterly dividend per share from $0.027 to $0.375
- Completed integration of multiple systems, including deposit platform, and New York metro bank brand conversion.

"A substantial increase in revenue margin coupled with expense reductions largely offset the adverse impact of higher credit costs," said Gary L. Perlin, Capital One's Chief Financial Officer. "Because of the strong capital generation of our businesses, we were able to significantly raise our dividend as planned, while building capital to the high end of our range."

Total Company Results

- Total deposits of $87.7 billion at March 31, 2008 were up $4.9 billion, or 6.0 percent, from December 31, 2007 and $224.3 million, or essentially flat relative to March 31, 2007.
- Managed loans held for investment of $148.0 billion decreased from the fourth quarter of 2007 by $3.3 billion, or 2.2 percent, but increased from the year ago quarter by $6.0 billion, or 4.2 percent.
- Managed revenue margin of 10.43 percent in the first quarter of 2008 was relatively flat compared to 10.40 percent in the fourth quarter of 2007, but up 123 basis points from 9.20 percent in the first quarter of 2007.
- Managed provision expense was $1.8 billion. The company added $310.4 million to its allowance in the first quarter of 2008. This allowance build is consistent with expected managed losses of $6.7 billion over the next 12 months, ending March 31, 2009.
- Operating expenses declined $277.5 million relative to the fourth quarter of 2007. The managed efficiency ratio for the first quarter of 2008 was 38.61 percent, down from 46.15 percent in the fourth quarter of 2007. Looking forward, the company expects its operating efficiency ratio to be in the mid-forty percent range or lower for the full year 2008.

Segment Results

Local Banking Segment highlights

The Local Banking business posted modest loan and deposit growth while successfully completing a major platform integration in the quarter. Profits declined, mostly as a result of higher provision expense as the economy weakened. The successful integration of multiple systems, including the deposit platform, and the launch of the Capital One Bank brand in the New York area provide the foundations that will enable the Local Banking business to develop new growth strategies and continue the tradition of providing excellent customer service to banking customers across the franchise.

- Net income of $75.8 million was down $27.8 million from $103.6 million in the fourth quarter of 2007.
- Loans held for investment were up $224.3 million relative to the fourth quarter of 2007 to $44.2 billion.
- Total Bank deposits increased $297.9 million from the fourth quarter of 2007 to $73.4 billion.
- Net charge-off rate of 31 basis points and non-performing loans as a percent of loans held for investment of 56 basis points increased from 28 basis points and 41 basis points in the fourth quarter of 2007, respectively.

National Lending Segment

In the first quarter of 2008 the company reorganized its National Lending subsegments from U.S. Card, Auto Finance and Global Financial Services to U.S. Card and Other National Lending. The U.S. Card subsegment contains the results of the company's domestic credit card business, as well as small business lending and the installment loan business, which were previously in Global Financial Services. The Other National Lending subsegment contains the results of the company's auto finance business, and the company's international lending businesses, which were previously in Global Financial Services. Components of the Other National Lending subsegment are separately disclosed. Segment and subsegment results have been restated for all periods presented.

- Profits for the National Lending segment were flat as compared to the fourth quarter of 2007, and down 26.6 percent relative to the first quarter of 2007.
- The managed charge-off rate for the National Lending segment increased 61 basis points to 5.34 percent in the first quarter of 2008 from 4.73 percent in the fourth quarter of 2007.
- The delinquency rate of 4.73 percent in the first quarter of 2008 for the National Lending subsegment decreased from 5.17 percent as of December 31, 2007.

U.S. Card highlights

Strong revenue growth and continuing expense reductions partially offset increasing provision expense, resulting in solid profits in the face of cyclical economic headwinds. The U.S. Card business remains well positioned to navigate near-term challenges and continue its profitability through the economic cycle.

- U.S. Card reported net income of $491.2 million, a 1.5 percent decrease relative to the fourth quarter of 2007 and an 8.8 percent decrease relative to the first quarter of 2007.
- Total revenues decreased $117.2 million, or 4.0 percent, compared to the fourth quarter of 2007 but increased $474.1 million, or 20.3 percent, over the prior year's same quarter.
- Non-interest expenses declined 3.8 percent over the previous quarter and 8.6 percent relative to the first quarter of 2007.
- Managed loans declined from the fourth quarter of 2007 by 3.4 percent, or $2.3 billion, to $67.4 billion at March 31, 2008, but increased 3.1 percent from the year ago quarter.
- Charge-offs rose in the first quarter of 2008 to 5.85 percent from 4.84 percent in the fourth quarter of 2007, and from 3.72 percent in the first quarter of 2007. The company expects the charge-off rate to be in the low six percent range for the next six months for the new U.S. Card subsegment, but higher in the fourth quarter.
- Delinquencies improved in the first quarter of 2008 to 4.04 percent from 4.28 percent in the previous quarter but rose from 3.06 percent in the year ago quarter.

Auto Finance highlights

The Auto Finance business posted a net loss in the quarter as the company continued its significant pull back and repositioning of the business. The results of the Auto Finance business continue to be negatively impacted by both the current credit environment, and the company's credit outlook. Origination volumes were reduced significantly as a result of tightening credit policy and increased pricing. The company expects its actions to result in a substantially smaller but more stable Auto Finance business going forward.

- Auto Finance posted a net loss of $82.4 million in the quarter, compared to a loss of $112.4 million last quarter. Total revenues increased $15.5 million and provision and operating expenses decreased by $29.1 million.
- Net charge-offs of 3.98 percent declined slightly from 4.00 percent in the fourth quarter of 2007, but increased from 2.29 percent in the first quarter of 2007. Delinquencies declined 142 basis points from the prior quarter to 6.42 percent but rose from 4.64 percent in the year ago quarter.
- Originations in the first quarter of $2.4 billion were down 32.7 percent, or $1.2 billion, compared to the prior quarter.
- Managed loans of $24.6 billion as of March 31, 2008 were down 2.0 percent relative to the fourth quarter of 2007 but up 2.9 percent from the first quarter of 2007.

International highlights

The Canadian credit card business continued to perform relatively well, with stable credit performance and solid returns. The company's credit performance has been stable to modestly improving for several quarters, reflecting a more stable UK credit environment. However, the company remains cautious about growth in the UK, given growing economic uncertainty in that market.

- International's net income of $33.3 million declined $21.4 million from the fourth quarter of 2007, but increased $13.8 million from $19.5 million in the year-ago quarter.
- Charge-offs of 5.30 percent declined 31 basis points from 5.61 percent in the fourth quarter of 2007, and 74 basis points from 6.04 percent in the first quarter of 2007.

- Delinquencies increased 33 basis points to 5.12 percent from 4.79 percent in the prior quarter and 34 basis points from 4.78 percent in the year ago 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 April 17, 2008 for 2008 revenue growth, loan and deposit growth, return on equity, the projected charge-off rate and revenue margin in the U.S. Card subsegment for 2008, estimated loss levels for the 12 months ending March 31, 2009 underlying its provision expenses in the first quarter of 2008, credit performance and trends, operating efficiencies, operating expense reductions, and dividends, including future financial and operating results, and the company's plans, objectives, expectations, and intentions, are forward-looking statements and actual results could differ materially from current expectations due to a number of factors, including: general economic conditions affecting interest rates and consumer income, spending, and savings which may affect consumer bankruptcies, defaults, charge-offs and deposit activity; changes in the labor and employment market; changes in the credit environment in the U.S. and/or the UK; the company's ability to execute on its strategic and operational plans; the risk that the company's acquired businesses will not be integrated successfully and that the cost savings and other synergies from such acquisitions may not be fully realized; continued intense competition from numerous providers of products and services which compete with Capital One's businesses; changes in the company's aggregate accounts and balances, and the growth rate and composition thereof; the risk that the benefits of the company's restructuring initiative, including cost savings and other benefits, may not be fully realized; the success of the company's marketing efforts; and general secondary market conditions in the mortgage industry. A discussion of these and other factors can be found in Capital One's annual report and other reports filed with the Securities and Exchange Commission, including, but not limited to, Capital One's report on Form 10-K for the fiscal year ended December 31, 2007.

About Capital One

Capital One Financial Corporation (www.capitalone.com) is a financial holding company whose subsidiaries collectively had $87.7 billion in deposits and $148.0 billion in managed loans outstanding as of March 31, 2008. Headquartered in McLean, VA, Capital One has 745 locations in New York, New Jersey, Connecticut, Texas and Louisiana. It is a diversified financial services company whose principal subsidiaries, Capital One, N.A., Capital One Bank (USA), N. A., and Capital One Auto Finance, Inc., offer a broad spectrum of financial products and services to consumers, small businesses and commercial clients. 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: First quarter 2008 financial results, SEC Filings, and first quarter 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.