



Press Release

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Capital One Reports Second Quarter Earnings per Share (diluted) of \$1.21

Increases readily available liquidity by \$3 billion to \$33 billion

Generates excess capital, increasing TCE ratio 15 basis points to 6.18 percent

McLean, Va. (July 17, 2008) – Capital One Financial Corporation (NYSE: COF) today announced earnings for the second quarter of 2008 were \$452.9 million, or \$1.21 per share (diluted). Earnings from continuing operations in the second quarter of 2008 were \$462.5 million, or \$1.24 per share. In the second quarter of 2007, the company reported earnings of \$750.4 million, or \$1.89 per share (diluted), and earnings from continuing operations of \$767.6 million, or \$1.93 per share (diluted). Earnings from continuing operations exclude the loss from discontinued operations related to the shutdown of GreenPoint Mortgage in August 2007.

HIGHLIGHTS

- Credit performance in the quarter was largely in line with previous expectations and reflects expected continued weakening as suggested by US economic indicators.
- Available liquidity increased in the quarter by \$3.0 billion to \$33.0 billion.
 - Includes the investment portfolio of \$24.7 billion. The portfolio is comprised of primarily high quality, liquid, AAA-rated securities.
- Tangible common equity to total managed assets ratio (TCE) increased to 6.18 percent, above the high end of the company's target range of 5.5 to 6.0 percent, as the company continued to generate excess capital.
- Deposits grew \$4.7 billion in the second quarter of 2008 to \$92.4 billion at June 30, 2008.
- Managed loans declined \$0.8 billion in the second quarter of 2008 as a result of tighter underwriting.

"Despite cyclical economic headwinds, the company continues to deliver profits and generate excess capital," said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. "We remain well-positioned to navigate the near-term economic challenges and to deliver strong shareholder value through the cycle."

Total Company Results

- Total deposits were up \$4.7 billion, or 5.4 percent, to \$92.4 billion at June 30, 2008 relative to March 31, 2008 and \$6.9 billion, or 8.1 percent relative to June 30, 2007.
- Managed loans held for investment of \$147.2 billion decreased from the first quarter of 2008 by \$790 million, or 0.53 percent, but increased from the year ago quarter by \$3.7 billion, or 2.6 percent.

- Managed revenue margin of 9.12 percent in the second quarter of 2008 was down 131 basis points compared to 10.43 percent in the first quarter of 2008, and down 36 basis points from 9.48 percent in the second quarter of 2007.
- Managed provision expense was \$1.6 billion. The company added \$37.6 million to its allowance in the second quarter of 2008. This allowance build has the capacity to absorb the equivalent of \$7.0 billion of managed charge-offs over the next 12 months, ending June 30, 2009.
- Excluding the first quarter reversal for \$91 million in legal reserves related to the VISA initial public offering, operating expenses decreased \$44.8 million relative to the first quarter of 2008. The managed efficiency ratio for the second quarter of 2008 was 44.16 percent, up from 38.61 percent in the first quarter of 2008.

“During the quarter, we added to the considerable strength of our balance sheet by generating excess capital and increasing our already strong liquidity position,” said Gary L. Perlin, Capital One’s Chief Financial Officer. “Going forward, we will continue our 37.5 cent quarterly dividend while at the same time maintaining our TCE ratio above our long-term target range.”

Segment Results

Local Banking Segment highlights

Results in the Local Banking segment remain solid, however, profits declined as the economy continued to weaken during the quarter. On a sequential quarter basis, loan and deposit growth were essentially flat. Rising provision expense in the current economic downturn is the largest factor in both the sequential quarter and year-over-year decline. The company expects loan growth to remain flat for the remainder of the year, but expects stronger deposit growth in the second half of the year.

- Net income of \$67.1 million was down \$8.7 million from \$75.8 million in the first quarter of 2008.
- Loans held for investment were up \$73.6 million relative to the first quarter of 2008 to \$44.3 billion.
- Local Banking deposits increased \$858.5 million from the first quarter of 2008 to \$74.2 billion.
- The net charge-off rate of 34 basis points increased from 31 basis points in the first quarter of 2008, and non-performing loans as a percent of loans held for investment of 81 basis points increased from 56 basis points in the first quarter of 2008.

National Lending Segment

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. The Other National Lending subsegment contains the results of the company's auto finance business and the company's international lending businesses.

Components of the Other National Lending subsegment are separately disclosed.

- Profits for the National Lending segment were down 7.8 percent compared to the first quarter of 2008, and down 37.2 percent relative to the second quarter of 2007.
- The managed charge-off rate for the National Lending segment increased 33 basis points to 5.67 percent in the second quarter of 2008 from 5.34 percent in the first quarter of 2008.
- The delinquency rate of 4.87 percent in the second quarter of 2008 for the National Lending segment increased from 4.73 percent as of March 31, 2008.

U.S. Card highlights

U.S. Card results in the second quarter reflect continued cyclical credit worsening and the company's actions to navigate the downturn. The business remains cautious on loan growth and continues to focus its marketing and originations on the parts of the U.S. Card market that the company believes provide the best

combination of risk-adjusted returns and losses. The U.S. Card business remains well positioned to successfully navigate near-term challenges and to deliver solid results through the economic cycle.

- U.S. Card reported net income of \$340.4 million, a 30.7 percent decrease relative to the first quarter of 2008 and a 42.6 percent decrease relative to the second quarter of 2007.
- Total revenues decreased \$280.7 million, or 10.0 percent, compared to the first quarter of 2008 but increased \$126.1 million, or 5.2 percent, over the prior year's same quarter.
- Non-interest expenses declined 3.0 percent over the previous quarter and 5.7 percent relative to the second quarter of 2007.
- Managed loans increased from the first quarter of 2008 by 1.0 percent, or \$678.0 million, to \$68.1 billion at June 30, 2008, and increased 2.3 percent from the year ago quarter.
- Charge-offs rose in the second quarter of 2008 to 6.26 percent from 5.85 percent in the first quarter of 2008, and from 3.56 percent in the second quarter of 2007. The company expects the charge-off rate to be in the low six percent range in the third quarter, rising to around seven percent in the fourth quarter.
- Delinquencies improved in the second quarter of 2008 to 3.85 percent from 4.04 percent in the previous quarter but rose from 2.98 percent in the year ago quarter.

Auto Finance highlights

The Auto Finance subsegment return to profitability this quarter was driven by the seasonal improvement in charge-offs, solid revenue margins, and continuing reductions in operating costs. Beyond this second quarter, the significant cyclical economic challenges facing the auto finance industry continue to be the longer term driver of performance in the Auto Finance business.

- Auto Finance posted net income of \$33.6 million in the quarter, compared to a loss of \$82.4 million last quarter, and a profit of \$38.0 million in the second quarter of 2007.
- Total revenues decreased \$12.4 million, or 3.0 percent, compared to the first quarter of 2008 but increased \$7.9 million, or 2.0 percent, over the prior year's same quarter.
- Non-interest expenses declined 9.7 percent over the previous quarter and 21.7 percent relative to the second quarter of 2007.
- Net charge-offs of 3.84 percent declined slightly from 3.98 percent in the first quarter of 2008 while delinquencies increased 120 basis points from the prior quarter to 7.62 percent.
- Originations in the first quarter of \$1.5 billion were down 38.0 percent, or \$926.5 million, compared to the prior quarter.
- Managed loans of \$23.4 billion as of June 30, 2008 were down 5.0 percent relative to the first quarter of 2008 and down 2.8 percent from the second quarter of 2007.

International highlights

Continued strong performance in Canada offset trends in the UK, where the credit environment grew more challenging in the second quarter. Modestly lower revenue, combined with an increase in provision expense, pressured UK profits in the quarter. The Canadian credit card business continues to perform well, with stable credit performance and solid returns.

- International's net income of \$33.6 million was relatively flat compared to \$33.3 million in the first quarter of 2008, but increased \$15.4 million from \$18.2 million in the year ago quarter.
- Charge-offs of 6.07 percent increased 77 basis points from 5.30 percent in the first quarter of 2008, and 68 basis points from 5.39 percent in the second quarter of 2007.
- Delinquencies increased 23 basis points to 5.35 percent from 5.12 percent in the prior quarter and 53 basis points from 4.82 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 July 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 June 30, 2009 underlying the provision expense in the second 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 in the U.S., the UK, or the company's local markets, including conditions affecting interest rates and consumer income and confidence, 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; 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 or composition thereof; the risk that the benefits of the company's cost savings initiative may not be fully realized; 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 report on Form 10-K for the fiscal year ended December 31, 2007 and report on Form 10-Q for the quarter ended March 31, 2008.

About Capital One

Capital One Financial Corporation (www.capitalone.com) is a financial holding company whose subsidiaries collectively had \$92.4 billion in deposits and \$147.2 billion in managed loans outstanding as of June 30, 2008. Headquartered in McLean, VA, Capital One has 740 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: Second quarter 2008 financial results, SEC Filings, and second 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.