



FOR IMMEDIATE RELEASE: January 20, 2011

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**Capital One Reports Fourth Quarter 2010 Net Income of \$697 million,  
or \$1.52 per share**

*Earnings for full year 2010 were \$2.7 billion, or \$6.01 per share  
Compared to fourth quarter 2009, earnings were up \$321 million, or 85 percent*

**Credit performance continues to improve**

Charge-offs improved by approximately 36 percent, or nearly \$0.8 billion, from the fourth quarter of 2009

Charge-offs improved \$128 million in the fourth quarter compared to the third quarter of 2010

Domestic Card charge-off rate improved 231 basis points relative to fourth quarter of 2009 to 7.28 percent

**Balance sheet remains strong**

Excluding run-off portfolios, loans grew \$1 billion in the quarter

Strong deposit growth with disciplined pricing continued, with Commercial and Consumer Banking deposits up more than \$10 billion, or 11.6 percent, in 2010

Tier 1 common equity ratio improved to 8.78 percent in the fourth quarter

**McLean, Va. (January 20, 2011)** – Capital One Financial Corporation (NYSE: COF) today announced net income for the fourth quarter of 2010 of \$697 million, or \$1.52 per common share, an increase of 85 percent compared to fourth quarter 2009 net income of \$376 million, or \$0.83 per share. For the full year of 2010, net income was \$2.7 billion, or \$6.01 per share, compared to net income of \$320 million, or \$0.74 per share for 2009 including the (\$563.9) million, or (\$1.31) per share, impact to net income from the repayment of the government's TARP preferred share investment in 2009.

"In the second half of 2010, improvements in our credit results outpaced the economic recovery, and we began to see some stabilization in loan volumes and early signs of a return to loan growth in 2011," said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. "With high performing businesses, a well-recognized brand, and a strong balance sheet, we have emerged from the recession well-positioned to create shareholder value in 2011 and beyond."

**Total Company Results**

- Total revenue in the fourth quarter of 2010 of \$4.0 billion decreased \$54 million, or 1.3 percent, reflecting slightly lower average loans and the full quarter impact of implementing the CARD Act.
  - Net interest income decreased \$86 million, and net interest margin declined to 6.95 percent from 7.21 percent.
  - Non-interest income increased \$32 million in the fourth quarter relative to the prior quarter.

- Provision expense of \$839 million in the fourth quarter decreased \$28 million from the prior quarter driven by lower charge-offs which were partially offset by a smaller allowance release in the fourth quarter. Continued improvement in charge-offs and delinquency performance in the portfolio was the primary driver of the fourth quarter allowance release.
- The allowance as a percentage of loans was 4.47 percent at the end of the fourth quarter of 2010 compared with 4.89 percent at the end of the prior quarter.
- Charge-offs as a percentage of loans were 4.45 percent at the end of the fourth quarter of 2010 compared with 4.82 percent at the end of the prior quarter and 6.33 percent at the end of 2009.
- Ending managed loans held for investment declined \$387 million, or 0.3 percent, in the fourth quarter to \$125.9 billion at December 31, 2010.
  - Excluding the expected run-off in the company's Installment Loan portfolio in Domestic Card, Home Loan portfolio in Consumer Banking, and Small-Ticket CRE portfolio in Commercial Banking, loan balances grew approximately \$1.0 billion in the fourth quarter of 2010.
- For the year 2010, ending managed loans declined by \$10.9 billion, or 7.9 percent, with approximately \$6.0 billion of that decline coming from the expected runoff of Home Loans, Installment Loans, and Small-Ticket CRE.
- Average total deposits increased \$3.5 billion, or 2.9 percent, during the quarter to \$121.7 billion. Period-end total deposits increased by \$3.0 billion, or 2.5 percent, to \$122.2 billion.
- The cost of funds decreased to 1.50 percent in the fourth quarter from 1.64 percent in the prior quarter, driven by the continuing replacement of higher cost wholesale funding with lower cost deposits.
- Non-interest expense of \$2.0 billion in the fourth quarter of 2010 increased \$95 million, or 4.8 percent, compared with the prior quarter, driven in large part by an increase in marketing expenses. Compared with the prior year, non-interest expenses increased \$517 million, or 7.0 percent, driven primarily by a 63 percent increase in marketing relative to 2009.
- The company's Tier 1 common equity ratio of 8.78 percent increased 57 basis points relative to the ratio of 8.21 percent in the prior quarter.

"Loan balances are stabilizing, marketing and partnership opportunities are evident, and headwinds such as charge-offs and the runoff of portfolios continue to abate," said Gary L. Perlin, Capital One's Chief Financial Officer. "We also expect that our strong capital position and generation will enable us to deploy capital in the service of shareholders to generate attractive returns in 2011 and beyond."

### **Segment Results**

The company reports the results of its business through three operating segments: Credit Card, Commercial Banking and Consumer Banking. Please refer to the Financial Supplement for additional details.

### ***Credit Card Highlights***

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

- Period-end loans in the Domestic Card segment were \$53.8 billion in the fourth quarter, flat with the prior quarter, as expected run-off from the Installment Loan portfolio offset seasonal growth. Excluding the run-off of the Installment Loans, loans grew \$679 million compared to the third quarter of 2010.
- Fourth quarter Domestic Card purchase volumes increased \$2.1 billion, or 8.6 percent, relative to the prior quarter, even as overall loan balances have declined.
- International credit card loans increased in the quarter by \$35 million, or 0.47 percent, to \$7.5 billion, due to seasonality.
- Domestic Card revenue margin declined 11 basis points to 16.66 percent in the fourth quarter from 16.77 percent in the prior quarter driven by a full quarter of lower late fees resulting from implementing the CARD Act.
- Domestic Card provision expense decreased \$72 million in the fourth quarter relative to the prior quarter, driven by lower charge-offs.
- Net charge-off rates relative to the prior quarter:
  - Domestic Card – improved 95 basis points to 7.28 percent from 8.23 percent
  - International Card – improved 92 basis points 6.68 to percent from 7.60 percent
- Delinquency rates relative to the prior quarter:
  - Domestic Card – improved 44 basis points to 4.09 percent from 4.53 percent
  - International Card – improved 9 basis points to 5.75 percent from 5.84 percent

### **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.

- Revenues increased \$30 million, or 8.5 percent, in the fourth quarter due to modest loan growth with stable loan yields and an increase in non-interest income due to the absence of a third quarter loss from the sale of GreenPoint HFS loans.
- Provision expense decreased \$61 million due to an allowance release in the fourth quarter.
- Average deposits grew \$909 million, or 4.2 percent, to \$22.8 billion. The deposit interest expense rate improved 6 basis points to 61 basis points.
- Charge-off rate relative to the prior quarter:
  - Total Commercial Banking – 1.43 percent, an increase of 16 basis points
  - Commercial lending – 1.00 percent, a decrease of 11 basis points
- Non-performing asset rate relative to the prior quarter:
  - Total Commercial Banking – 1.80 percent, a decline of 14 basis points
  - Commercial lending – 1.76 percent, a decline of 18 basis points

### **Consumer Banking Highlights**

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

- Revenues were stable in the fourth quarter at \$1.1 billion, while non-interest expenses increased \$13 million during the quarter, primarily due to higher marketing.
- Provision expense increased \$75 million relative to the prior quarter as a result of increased charge-offs in the quarter and a modest increase in allowance in Home Loan.

Net charge-off rates relative to the prior quarter:

- Auto – 2.65 percent, a decrease of 6 basis points
- Home Loan – 0.89 percent, an increase of 48 basis points
- Retail banking – 2.40 percent, an increase of 20 basis points
- Period-end loans relative to the prior quarter:
  - Auto – modest growth of \$224 million, or 1.3 percent, to \$17.9 billion. Third and fourth quarter 2010 originations equate to an annual “run rate” of approximately \$9 billion.
  - Home Loan – Home loans continued to reflect expected run-off in the portfolio with a decline of \$660 million, or 5.2 percent, to \$12.1 billion.
  - Retail banking – declined \$178 million, or 3.9 percent, to \$4.4 billion.
- Deposits in Consumer Banking showed strong growth in the quarter, with average deposits increasing \$3.6 billion, or 4.6 percent, to \$81.8 billion and ending the year at \$83 billion.

Tier 1 common equity ratio and related ratios, as used throughout this release, are non-GAAP financial measures. For additional information, see Table 1 in the Financial Supplement.

### **Forward looking statements**

The company cautions that its current expectations in this release dated January 20, 2011, 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 (including the impact of the Dodd-Frank Act and the regulations to be promulgated thereunder), 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, 2009 and report on Form 10-Q for the quarters ended March 31, 2010, and June 30, 2010, and September 30, 2010.

***About Capital One***

Capital One Financial Corporation ([www.capitalone.com](http://www.capitalone.com)) is a financial holding company whose subsidiaries, which include Capital One, N.A. and Capital One Bank (USA), N. A., had \$122.2 billion in deposits and \$197.5 billion in total assets outstanding as of December 31, 2010. 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:**

Fourth quarter 2010 financial results, SEC Filings, and earnings conference call slides are accessible on Capital One's home page ([www.capitalone.com](http://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 the earnings conference call is accessible through the same link.