



# Press Release

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## **Capital One Reports Net Loss of \$0.45 per Common Share (diluted)**

*First Quarter Net Loss of \$86.9 million, or \$0.39 per Common Share, from Continuing Operations, including \$124.1 million addition to allowance*

- Pre-provision earnings of \$2.0 billion in the first quarter were essentially even with the previous quarter.
- Capital ratios remain strong – tangible common equity to tangible managed assets, or “TCE ratio”, increased to 4.8 percent, up 20 basis points from December 31, 2008 pro forma TCE ratio of 4.6 percent; Tier 1 risk-based capital ratio of an estimated 11.4 percent.
- The company grew its investment portfolio to \$36.4 billion and deposits increased to \$121.1 billion, including \$14.0 billion of deposits from the acquisition of Chevy Chase Bank, which was completed in the first quarter.

**McLean, Va. (Apr 21, 2009)** – Capital One Financial Corporation (NYSE: COF) today announced a net loss for the first quarter of 2009 of \$111.9 million, or \$0.45 per common share (diluted), compared with a net loss of \$1.4 billion, or \$3.74 per common share (diluted), in the fourth quarter of 2008 and earnings of \$548.5 million, or \$1.47 per common share (diluted) in the first quarter of 2008. Net loss from continuing operations for the first quarter was \$86.9 million, or \$0.39 per common share (diluted).

“While our first quarter results reflected significant pressures from the worsening economy, our balance sheet remained a source of strength,” said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. “We continued to build our allowance, increase coverage ratios, and manage our capital levels well in excess of regulatory requirements. While we remain cautious about near-term economic challenges, we are confident that our balance sheet provides the stability to weather the current economic crisis and the flexibility to generate value on the other side.”

## **Total Company Results**

- The company added \$124.1 million to allowance for loan losses in anticipation of higher expected charge-offs in 2009. Allowance as a percent of reported loans increased 36 basis points in the first quarter of 2009 to 4.8 percent. The coverage ratio does not include the \$9.5 billion of Chevy Chase Bank loans that were added to the balance sheet in the first quarter.

- Capital One now expects that managed charge-off dollars in 2009 will be higher than the \$8.6 billion outlook for 2009 projected in the fourth quarter of 2008. The company has chosen not to specifically update its outlook for managed charge-offs given significant uncertainty in the economy.
- Total managed revenues in the first quarter of 2009 of \$3.7 billion declined \$221.1 million, or approximately 5.6 percent relative to the fourth quarter of 2008. Revenue declined as a result of declining purchase volumes, changes in the mix of earning assets, and the combination of improving early stage delinquencies and worsening later stage delinquencies.
- Total deposits on March 31, 2009 were \$121.1 billion, including \$14.0 billion of deposits from the acquisition of Chevy Chase Bank in the first quarter. (Chevy Chase Bank deposits are reported in the Other segment for the first quarter only.) Total deposits increased 11.5 percent from the fourth quarter of 2008.
- Managed loans held for investment increased by \$3.4 billion, or 2.3 percent, from the fourth quarter of 2008 to \$150.3 billion at March 31, 2009 and increased \$2.3 billion, or 1.6 percent, relative to the year ago quarter. The first quarter of 2009 includes the addition of \$9.5 billion of Chevy Chase Bank loans, which appear in the Other segment.
- Non-interest expense declined \$202.0 million in the first quarter of 2009 as compared to the fourth quarter of 2008 as a result of the company's continuing efforts to achieve operating efficiency improvements and lower marketing expenses in the current economic environment. The managed efficiency ratio decreased 162 basis points to 46.31 percent in the first quarter of 2009 from 47.94 percent in the fourth quarter of 2008.
- Tangible common equity to tangible managed assets, or "TCE ratio," was 4.8 percent on March 31, 2009, an improvement of 20 basis points from the pro forma year-end level of 4.6 percent. The Tier 1 risk-based capital ratio of an estimated 11.4 percent continues to be well above the regulatory minimum.

"Deposits now comprise approximately two-thirds of our funding, providing a lower cost of funds while enabling us to support our lending without participating in any government-assisted funding program such as TLGP or TALF," said Gary L. Perlin, Capital One's Chief Financial Officer. "Our ample liquidity, coupled with solid capital ratios, provides a strong balance sheet foundation from which we can serve the needs of our consumer and commercial customers on Main Street."

## **Segment Results**

### ***Local Banking Segment highlights***

The Local Banking business posted a net loss of \$36.2 million in the quarter. Revenues declined as a result of falling interest rates and provision expense remained elevated in the current economic environment.

During the quarter, Local Banking focused on optimizing its deposit strategy. It maintained disciplined pricing and focused efforts on the deposit segments that drive the most profitable and enduring customer relationships. Managed loans in the quarter declined by 1.4 percent. Expected run off of residential mortgage loans more than offset growth in the middle market commercial franchise.

The increase in the non-performing loan percentage in the quarter resulted from continuing economic stress in the metro New York City market, and to a lesser degree, in Louisiana and Texas. Improvement in the Local Banking charge-off rate in the first quarter was driven by the fact that the company took several sizeable charge-offs related to specific loans in its construction portfolio in the fourth quarter of 2008, as well as a reduction in residential mortgage foreclosures as it held off in anticipation of the announcement of the administration's mortgage modification program. The company continues to review the administration's proposal.

- Local Banking reported a net loss for the first quarter of 2009 of \$36.2 million, versus a net loss in the fourth quarter of 2008 of \$6.5 million. Net income for Local Banking in the first quarter of 2008 was \$75.8 million.
- The net charge-off rate decreased 14 basis points to 76 basis points in the first quarter of 2009 from 90 basis points in the fourth quarter of 2008, while non-performing loans as a percent of loans held for investment of 1.77 percent increased from 1.25 percent at the end of the fourth quarter of 2008.
- Loans held for investment of \$44.5 billion declined \$624.3 million, or 1.4 percent, from the fourth quarter of 2008, and were up slightly over the first quarter of 2008.
- Local Banking deposits increased slightly in the first quarter of 2009 to \$79.1 billion, up \$176.3 million from \$78.9 billion at the end of the fourth quarter of 2008. Deposits increased \$5.7 billion, or 7.8 percent, from March 31, 2008.

### ***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.

All National Lending businesses reported profits in the first quarter of 2009 – U.S. Card delivered \$2.4 million, the Auto Finance business reported \$71.4 million, and International contributed \$2.0 million – for a total net income in the first quarter of \$75.9 million.

Economic deterioration continued at a rapid pace during the first quarter, particularly in labor markets, driving increasing delinquency and charge-off rates across the company's lending businesses, with the exception of Auto Finance. The U.S. Card charge-off rate increased to 8.4 percent for the first quarter of 2009, above the 8.1 percent charge-off rate expectation articulated in the fourth quarter of 2008. Seasonal weakening in bankruptcy trends and declining loan balances resulted in higher charge-off rates compared to the fourth quarter of 2008. The company expects

further increases in U.S. Card charge-off rate through 2009 as the economy continues to weaken. Credit trends in the international business reflect increasing economic deterioration in the UK and Canada. While the Canadian portfolio had been relatively stable for several quarters, the Canadian economy and credit trends began to show signs of weakness in the first quarter.

Auto Finance delinquencies and charge-off rates improved in the first quarter as a result of expected seasonality, improved used car prices and recovery values, and solid performance in recent originations.

While the company originated several billion dollars of new loans in the quarter and added \$9.5 billion of Chevy Chase Bank loans, ending loan balances grew by only \$3.4 billion.

- National Lending segment revenues of \$3.1 billion were down \$267.2 million, or 8.0 percent, in the first quarter of 2009 compared to the fourth quarter of 2008, and down \$567.6 million, or 15.6 percent, relative to the first quarter of 2008.
- The company expects the full year U.S. Card revenue margin to be around 15 percent.
- The delinquency rate was 5.70 percent as of March 31, 2009, a decline of 23 basis points from 5.93 percent as of December 31, 2008.
- The managed net charge-off rate for the National Lending segment increased 89 basis points in the first quarter of 2009 to 7.55 percent from 6.66 percent in the fourth quarter of 2008. The company expects the U.S. Card monthly charge-off rate to cross 10 percent in the next couple of months.
- Loans held for investment declined \$5.4 billion from \$101.1 billion at the end of 2008 to \$95.8 billion at the end of the first quarter of 2009 and down 7.0 percent relative to year-end 2008.

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 21, 2009, including those regarding total managed charge-off dollars in 2009, the projected charge-off rate and revenue margin in the U.S. Card subsegment; 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.

### ***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., collectively had \$121 billion in deposits and \$150 billion in managed loans outstanding as of March 31, 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: First quarter 2009 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 today's 5:00 pm (ET) earnings conference call is accessible through the same link.