



FOR IMMEDIATE RELEASE: January 21, 2010

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Capital One Reports Fourth Quarter 2009 Net Income of \$375.6 million, or \$0.83 per share (diluted)

Earnings for full year 2009 of \$319.9 million, or \$0.74 per share (diluted) 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

Highlights

- Managed net interest margin of 6.90 percent and revenue margin of 9.50 percent remained stable in the fourth quarter relative to the prior quarter.
- Managed provision expense decreased \$353.5 million from the prior quarter and was essentially flat in 2009 as compared to 2008 at \$8.0 billion.
- Non-interest expenses were up 8.1 percent in the quarter as marketing began to increase from unusually low levels earlier in 2009, and operating expenses increased as expected.
- Tangible common equity to tangible managed assets, or "TCE ratio," increased to 6.3 percent, up 10 basis points from the September 30, 2009 ratio of 6.2 percent, and Tier 1 capital to risk-weighted assets, or Tier 1 ratio, rose to 13.8 percent.

McLean, Va. (January 21, 2010) – Capital One Financial Corporation (NYSE: COF) today announced net income for the fourth quarter of 2009 of \$375.6 million, or \$0.83 per common share (diluted), versus third quarter 2009 net income of \$393.5 million, or \$0.88 per common share (diluted). For the full year of 2009, net income was \$319.9 million, or \$0.74 per share (diluted), 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. This compares to a loss in 2008 of \$78.7 million, or (\$0.21) per share (diluted), which included a pre-tax goodwill impairment charge of \$810.9 million in the automobile business.

"Capital One posted solid results as our domestic credit card and auto finance businesses delivered strong profits and resilience during the quarter despite challenging economic and credit headwinds," said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. "Given our balance sheet strength and the stabilizing economy, we are well-positioned to take advantage of emerging opportunities to deliver value to our shareholders and customers."

Total Company Results

- Total managed revenue in the fourth quarter of 2009 declined \$215.7 million, or 4.7 percent, to \$4.4 billion. The main driver of lower revenue was fewer gains from securities sales compared to the prior

quarter. Managed non-interest income decreased \$173.8 million in the fourth quarter, or 12.7 percent, relative to the prior quarter, while net interest income decreased \$41.9 million, or 1.3 percent. Managed revenue in 2009 was flat compared to 2008 at approximately \$16.8 billion as a 2.9 percent decrease in average loans year over year was offset by slightly higher margins.

- Managed provision expense decreased \$353.5 million from the prior quarter. A \$386.1 million allowance release in the quarter more than offset an increase in charge-offs, driving the decrease in provision expense. The fourth quarter allowance releases in both Credit Card and Auto more than offset the allowance builds in Commercial and Consumer Banking.
- Allowance as a percentage of reported loans was 4.55 percent in the fourth quarter of 2009 as compared to 4.67 percent in the prior quarter.
- Average total deposits decreased by \$1.3 billion, or 1.1 percent, over the prior quarter, to \$114.6 billion. Period-end total deposits increased by \$1.3 billion to \$115.8 billion as a result of the increase in deposits late in the quarter.
- The cost of managed interest-bearing liabilities decreased to 2.16 percent from 2.28 percent in the prior quarter as the company replaced higher-cost time deposits with money market and savings accounts, and increased the amount of non-interest bearing deposits. The overall cost of funds declined 12 basis points to 2.00 percent in the fourth quarter.
- Average managed assets decreased \$4.2 billion, or 2.0 percent, relative to the prior quarter, to \$210.4 billion, driven primarily by reductions in loans held for investment. Period-end total managed assets increased by 1.2 percent over the prior quarter to \$212.1 billion.
- Non-interest expenses increased \$145.9 million in the fourth quarter of 2009 from the prior quarter, driven primarily by increased marketing. Marketing increased \$84.3 million, or 81.3 percent from the prior quarter. The managed efficiency ratio of 43.85 percent in the fourth quarter of 2009 was up 5.1 percentage points from 38.73 percent in the prior quarter.
- Non-interest expenses for the full year 2009 were essentially flat compared to 2008 at \$7.4 billion, excluding goodwill impairment. In response to lower loan demand and economic uncertainty, the company decreased marketing spend in 2009. This decrease was offset by the addition of Chevy Chase Bank operating expenses.
- The company's TCE ratio increased to 6.3 percent on December 31, 2009, from 6.2 percent in the prior quarter. The Tier 1 risk-based capital ratio of approximately 13.8 percent increased 200 basis points relative to the prior quarter, and continues to be well above the regulatory well-capitalized minimum.

"We navigated a very challenging 2009, produced solid results and strengthened our position with additional capital and historically high allowance coverage ratios," said Gary Perlin. "The strength of our balance sheet will continue to enable us to make the investments necessary to generate profitable growth into the future."

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 details on the sub-segments' results, please refer to the Financial Supplement.

The Credit Card segment reported net income in the fourth quarter of \$509.9 million, an increase of \$218.2 million, or 74.8 percent, from the prior quarter's net income of \$291.7 million. Lower provision expense in the quarter was the key driver of the improved profitability.

- Revenues of \$2.9 billion were down \$64.9 million, or 2.2 percent, relative to the prior quarter.
 - Domestic Card – revenues down \$77.2 million, or 2.9 percent.
 - International Card – revenues up \$12.4 million, or 3.7 percent.
- Revenue margin in the Domestic Card sub-segment improved to approximately 17.0 percent in the fourth quarter, up from 16.8 percent in the prior quarter. In 2010, we expect quarterly revenue margin to moderate, but remain close to its fourth quarter 2009 level.
- Period-end loans in the Credit Card segment were \$68.5 billion, a decline of \$1.8 billion, or 2.6 percent, from the prior quarter.
 - Domestic Card – loans declined \$1.6 billion, or 2.6 percent, to \$60.3 billion at the end of the fourth quarter. Approximately \$1.0 billion of the decline came from the continued run-off of the company's nationally-originated Installment Loans.
 - International Card – loans declined \$0.3 billion, or 3.0 percent, to \$8.2 billion.
- The managed net charge-off rate for the Credit Card segment remained essentially flat at 9.58 percent in the fourth quarter of 2009.
 - Domestic Card – net charge-offs decreased 5 basis points to 9.59 percent in the fourth quarter from 9.64 percent in the prior quarter.
 - International Card – net charge-offs increased 33 basis points to 9.52 percent from 9.19 percent in the prior quarter.
- The 30+ day performing delinquency rate for the Credit Card segment increased 35 basis points to 5.88 percent in the fourth quarter of 2009 from 5.53 percent in the prior quarter.
 - Domestic Card – delinquencies increased 40 basis points to 5.78 percent from 5.38 percent in the prior quarter.
 - International Card – delinquencies decreased 8 basis points to 6.55 percent from 6.63 percent in the prior quarter.

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, which are summarized under Commercial Lending, and small ticket commercial real estate. The total segment reported a net loss of \$136.0 million in the fourth quarter, relative to a net loss of \$127.7 million in the prior quarter. Commercial Banking revenue increased \$12.0 million, or 3.5 percent, to \$356.6 million in the fourth quarter of 2009, while non-interest expense increased \$31.3 million, or 18.9 percent, to \$197.4 million. Increases in non-interest expense were driven by rising costs associated with managing loss mitigation and continuing infrastructure investments.

- Average loans of \$29.9 billion declined \$206.1 million, or 0.7 percent, during the fourth quarter from \$30.1 billion during the prior quarter.
 - Commercial lending – declined \$89.4 million, or 0.3 percent, to \$27.5 billion.
 - Small ticket commercial real estate – declined \$116.8 million, or 4.7 percent, to \$2.4 billion.
- Average deposits increased \$1.7 billion, or 9.3 percent, to \$19.4 billion during the fourth quarter from \$17.8 billion during the prior quarter, while the deposit interest expense rose to 80 basis points.
- Provision expense decreased \$6.6 million relative to the prior quarter.
- The managed net charge-off rate for Commercial Banking increased 149 basis points in the fourth quarter of 2009 to 2.91 percent from 1.42 percent in the prior quarter.
 - Commercial lending – 2.04 percent, an increase of 96 basis points over the prior quarter.
 - Small ticket commercial real estate – 13.08 percent, an increase of 789 basis points over the prior quarter. The increase in the charge-off rate is primarily related to the write-down of a portfolio of small ticket CRE non-performing loans as the company moved them to held-for-sale. This move also resulted in a drop in the non-performing asset rate for small ticket CRE from 11.39 percent in the third quarter to 4.87 percent in the fourth quarter.
 - Non-performing loans as a percentage of loans held for investment for Commercial Banking was 2.37 percent, a decrease of 28 basis points from 2.65 percent at the end of the prior quarter.

Consumer Banking highlights

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

Consumer Banking reported a net loss for the fourth quarter of \$7.7 million compared to net income of \$145.2 million in the third quarter. Revenue declined \$73.9 million in the quarter. Provision expense increased \$93.3 million, driven by seasonal increases in Auto Finance and continued deterioration in mortgage and home equity credit trends. Non-interest expense increased \$68.1 million, or 10 percent relative to the prior quarter, as a result of several factors including planned expenses related to the integration of Chevy Chase Bank and investments to build a scalable banking infrastructure to ensure that the company is well positioned to take advantage of opportunities to grow our banking business.

- Average loans declined \$2.0 billion, or 4.8 percent, to \$39.1 billion compared to average loans of \$41.1 billion in the prior quarter. Auto finance loans declined as a result of the company's earlier efforts to retrench the auto finance business. Mortgage loans declined as the company continued to experience expected run off in the portfolio.
 - Auto – declined \$868.4 million, or 4.4 percent, to \$18.8 billion.
 - Mortgage – declined \$581.0 million, or 3.6 percent, to \$15.3 billion.
 - Retail banking – declined \$512.3 million, or 9.3 percent, to \$5.0 billion.
- Average deposits in the Consumer Banking segment declined \$0.3 billion, or 0.4 percent, to \$73.0 billion during the fourth quarter from \$73.3 billion in the prior quarter. Improved deposit mix and favorable interest rates drove a 17 basis point improvement in the deposit interest expense rate in the fourth quarter.
- The managed net charge-off rate for Consumer Banking increased 16 basis points in the fourth quarter of 2009 to 2.85 percent from 2.69 percent in the prior quarter. The increase in Auto charge-offs resulted primarily from expected seasonal patterns and the impact of the decline in the denominator. Mortgage charge-offs were essentially flat.
 - Auto – 4.55 percent, an increase of 17 basis points
 - Mortgage – 0.71 percent, an increase of 2 basis points
 - Retail banking – 3.03 percent, an increase of 59 basis points

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 dated January 21, 2010; 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 reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009, and September 30, 2009.

About Capital One

Capital One Financial Corporation (www.capitalone.com) is a financial holding company whose subsidiaries, which include Capital One, N.A. and Capital One Bank (USA), N. A., had \$115.8 billion in deposits and \$212.0 billion in total managed assets outstanding as of December 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. 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 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 4:30 pm (ET) earnings conference call is accessible through the same link.