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Capital One Reports Second Quarter 2010 Net Income of $608 million, or $1.33 per share (diluted), up from a loss of $(0.66) in the second quarter of 2009

Revenues of $3.9 billion were up $727 million, or 22.9 percent, as compared to same quarter a year ago

Operating Earnings of $812 million increased $583 million, more than doubling as compared to same quarter a year ago

Domestic Card charge-off rate improved almost 100 basis points in the quarter to 9.49 percent; delinquencies were down 51 basis points

McLean, Va. (July 22, 2010) – Capital One Financial Corporation (NYSE: COF) today announced net income for the second quarter of 2010 of $608 million, or $1.33 per common share (diluted), versus first quarter 2010 net income of $636 million, or $1.40 per common share (diluted). This compares with a loss in the second quarter of 2009 of $(277) million, or $(0.66) per share (diluted). Income from continuing operations of $812 million increased $92 million, or 12.8 percent, from $720 million in the first quarter of 2010 and $583 million, or 255 percent, from $229 million in the second quarter of 2009.

“Capital One has demonstrated considerable resilience throughout the recession and the ongoing legislative and regulatory changes reshaping the financial services industry,” said Richard D. Fairbank, Capital One’s Chairman and Chief Executive Officer. “While economic and regulatory uncertainty remains, those same forces are creating attractive opportunities for Capital One. We continue to be well positioned to take advantage of emerging opportunities and deliver significant shareholder value over the long-term.”

**Total Company Results**
- Total revenue in the second quarter of 2010 declined $385 million, or 9.0 percent, from the first quarter of 2010 to $3.9 billion as average loans declined 4.5 percent with no offsetting increase in margin. Non-interest income decreased $254 million in the second quarter, or 23.9 percent, relative to the prior quarter, due to the absence of one-time benefits experienced in the first quarter and an expected decline in overlimit fees in the Domestic Card business. Net interest income decreased $131 million, or 4.1 percent.
- Net interest margin was stable at 7.09 percent, driven by a 7 basis point decrease in the cost of funds, partially offset by a 5 basis point decrease in loan yields.
- Provision expense decreased $755 million from the prior quarter, or 51.1 percent, driven by lower charge-offs and a reduction in allowance balance of $1.0 billion. Charge-offs and delinquencies improved across
our consumer businesses, with the exception of an expected seasonal up-tick in auto delinquencies. Commercial Banking charge-offs and non-performing asset rates improved in the quarter.

- The continued improvement in credit drove allowance releases in all of the company’s businesses in the second quarter, totaling $1.0 billion for the company. This compares to an allowance release of $566 million in the first quarter of 2010. The Card segment released $665 million, with the majority of that coming from the Domestic Card sub-segment. Better than expected loss performance in the portfolio and a lower level of delinquencies were the primary drivers of the second quarter allowance release. In addition, the $1.9 billion of lower period-end loans require lower allowance, all else being equal. The allowance as a percentage of outstanding loans was 5.35 percent at the end of the second quarter of 2010 as compared with 6.0 percent at the end of the prior quarter.

- Period-end total assets decreased by $3.2 billion, or 1.6 percent, from the first quarter of 2010 to $197.5 billion at the end of the second quarter of 2010, with $3.0 billion of the decline coming from loans held for investment. Expected run-off continues in our Installment Loan portfolio in Domestic Card, our Mortgage portfolio in Consumer Banking, and our Small Ticket CRE portfolio in Commercial Banking. Loans held for investment at June 30, 2010 were $127.1 billion, a decline of 2.3 percent from the prior quarter.

- Average total deposits during the quarter were $118.5 billion, an increase of $1.0 billion, or 0.8 percent, over the prior quarter. Period-end total deposits decreased by $0.5 billion, or 0.4 percent, to $117.3 billion.

- The cost of funds decreased to 1.69 percent in the second quarter from 1.76 percent in the prior quarter.

- Non-interest expenses of $2.0 billion increased $153 million in the second quarter of 2010 from the prior quarter, driven primarily by one-time expenses and infrastructure expenses, as well as an increase in marketing.

- The company’s TCE ratio increased to 6.1 percent, up 60 basis points from the first quarter 2010 ratio of 5.5 percent. The Tier 1 risk-based capital ratio of 9.9 percent increased 30 basis points relative to the ratio of 9.6 percent in the prior quarter. The recent enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act may have an impact on the Tier 1 treatment of the company’s approximately $3.5 billion of trust preferred securities and provides for a phase-in period expected to begin in 2013. Given the potential change in capital treatment of these securities, the company anticipates that it will determine whether to exercise its rights to redeem its trust preferred securities at or near the beginning of the phase-in period. The company looks forward to receiving clarity on these issues through rule-making and other regulatory action.

“Capital One posted strong bottom-line results in the quarter, as the ongoing improvement in credit performance drove a material reduction in provision expense,” said Gary L. Perlin, Capital One’s Chief Financial Officer. “Taking into account our improved capital ratios and historically high allowance for loan losses, our total risk-bearing capacity is now greater than it was at any point during the financial crisis, even as we’re past the peak in credit losses.”
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.

- Revenues relative to the prior quarter:
  - Domestic Card – declined $188.0 million, or 7.6 percent
  - International Card – declined $7.0 million, or 2.0 percent

- Period-end loans in the Domestic Card segment were $54.6 billion in the second quarter, a decline of $1.6 billion, or 2.9 percent, from the prior quarter as the Installment Loan portfolio continued to run off. International credit card loans declined in the quarter by $309 million, or 4.1 percent, to $7.3 billion.

- As expected, revenue margin in the Domestic Card sub-segment declined in the quarter. Revenue margin fell 48 basis points to 16.61 percent in the second quarter from 17.09 percent in the prior quarter. The company expects quarterly Domestic Card revenue margin to decline over the next several quarters to around 15 percent by the end of 2010 or early 2011.

- Non-interest expense increased $88 million, or 9.6 percent, in the second quarter primarily due to higher marketing expense in Domestic Card and tax accruals in International Card.

- Domestic Card provision expense decreased $421 million in the second quarter, or 38.4 percent, relative to the prior quarter. The lower provision expense resulted from both lower charge-offs and an allowance release in the quarter.

- Net charge-off rates relative to the prior quarter:
  - Domestic Card – improved 99 basis points to 9.49 percent from 10.48 percent
  - International Card – improved 45 basis points to 8.38 percent from 8.83 percent

- Delinquency rates relative to the prior quarter:
  - Domestic Card – improved 51 basis points to 4.79 percent from 5.30 percent
  - International Card – improved 36 basis points to 6.03 percent from 6.39 percent

- Purchase volumes in Domestic Card increased $2.6 billion, or 11.0 percent, relative to 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.

- Commercial Banking reported net income improved to $77 million in the second quarter compared to a net loss in of $49 million in the first quarter, largely as a result of improving credit.

- Total revenue increased $25 million, or 7.1 percent, during the quarter to $379 million.

- Period-end loans in Commercial Banking were $29.6 billion, essentially even with the prior quarter.

- Average deposits increased by $312 million, or 1.4 percent, to $22.2 billion during the second quarter, while the deposit interest expense rate improved 5 basis points to 67 basis points.

- Provision expense decreased $176 million relative to the prior quarter as a result of lower charge-offs and an allowance release in the quarter.
• Charge-off rate relative to the prior quarter:
  – Total Commercial Banking –1.21 percent, a decline of 16 basis points
  – Commercial lending – 0.98 percent, a decline of 16 basis points
  – Small ticket commercial real estate – 4.21 percent, a decline of 22 basis points

• Non-performing asset rate relative to the prior quarter:
  – Total Commercial Banking – 2.20 percent, a decline of 44 basis points
  – Commercial lending – 2.10 percent, a decline of 42 basis points
  – Small ticket commercial real estate – 3.57 percent, a decline of 61 basis points

**Consumer Banking highlights**

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

• Total revenue decreased $115 million, or 9.5 percent, during the quarter to $1.1 billion.

• Provision expense decreased $162 million relative to the prior quarter as a result of lower charge-offs and a larger allowance release relative to the prior quarter.

• Period-end loans relative to the prior quarter:
  – Auto – declined $225 million, or 1.3 percent, to $17.2 billion.
  – Mortgage – declined $645 million, or 4.6 percent, to $13.3 billion. Mortgage loans continued to reflect expected run-off in the portfolio.
  – Retail banking – declined $200 million, or 4.0 percent, to $4.8 billion.

• Auto loan originations increased 31.4 percent over the prior quarter to $1.8 billion in the second quarter.

• Average deposits in Consumer Banking increased $2.0 billion, or 2.6 percent, to $77.1 billion during the second quarter. Improving interest rates and disciplined pricing drove a 9 basis point decline in the deposit interest expense rate in the quarter.

• Net charge-off rates relative to the prior quarter:
  – Auto – 2.09 percent, a decrease of 88 basis points
  – Mortgage – 0.46 percent, an decrease of 48 basis points
  – Retail banking – 2.11 percent, even with the prior quarter

TCE and related ratios, as used throughout this release, are non-GAAP financial measures. For additional information, see Exhibit 99.3 included in the company’s current report on Form 8-K filed July 22, 2010.

**Forward looking statements**

The company cautions that its current expectations in this release dated July 22, 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 (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 quarter ended March 31, 2010.

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 $117.3 billion in deposits and $197.5 billion in total assets outstanding as of June 30, 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: Second quarter 2010 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 5:00 pm (ET) earnings conference call is accessible through the same link.