



**FOR IMMEDIATE RELEASE: October 18, 2010**

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**Capital One Reports Third Quarter 2010 Net Income of \$803 million,  
or \$1.76 per diluted share, up from net income of \$0.87 in the third quarter of 2009**

**The company will host a conference call at 8:15 a.m. ET October 19 to review financial and operating performance for the Third Quarter**

Ending loans declined less than 1 percent in the quarter, the slowest pace of contraction since the second quarter of 2009

Excluding the impact of run-off portfolios, total loan balances would have been up modestly in the quarter

Credit performance continues to improve – charge-offs down almost \$200 million in the quarter  
Domestic Card charge-off rate improved 126 basis points in the quarter to 8.23 percent

Company completed successful conversion to Capital One Bank brand in metro Washington, DC

**McLean, Va. (October 18, 2010)** – Capital One Financial Corporation (NYSE: COF) today announced net income for the third quarter of 2010 of \$803 million, or \$1.76 per diluted common share, a 32.1 percent increase compared to second quarter 2010 net income of \$608 million, or \$1.33 per diluted common share. Third quarter 2010 net income increased 103.8 percent compared to third quarter 2009 net income of \$394 million, or \$0.87 per diluted share.

Income from continuing operations of \$818 million increased \$6 million, or 0.7 percent, from \$812 million in the second quarter of 2010 and increased \$381 million, or 87.2 percent, from \$437 million in the third quarter of 2009.

“Strong third quarter revenues, credit results, and profits continue to demonstrate our resilience in the face of ongoing economic and regulatory uncertainty,” said Richard D. Fairbank, Capital One’s Chairman and Chief Executive Officer. “We’re well positioned to take advantage of emerging opportunities and deliver shareholder value over the long-term.”

#### **Conference Call Details**

The company will host a conference call at 8:15 a.m. ET October 19 to review financial and operating performance for the quarter ending September 30, 2010. The call will be webcast live, and the earnings release

will be available on the company's homepage at [www.capitalone.com](http://www.capitalone.com). A replay of the webcast will be available 24 hours a day, beginning 2 hours after the conference call, until 5:00 p.m. ET on November 2, 2010, through the company's homepage. Capital One will also make an MP3 file available for download the next business day following the conference call.

### **Total Company Results**

- Total revenue in the third quarter of 2010 of \$4.0 billion increased \$112 million, or 2.9 percent, from \$3.9 billion in the second quarter of 2010, reflecting a modest increase in net interest income and a \$100 million increase in non-interest income.
  - Net interest income increased \$12 million as net interest margin improved to 7.21 percent from 7.09 percent. This improvement was partially offset by a 1.3 percent decline in average interest-earning assets.
  - Non-interest income increased \$100 million in the third quarter relative to the prior quarter driven by a smaller addition to the Rep and Warranty reserve.
- Provision expense increased \$144 million from the prior quarter driven by a smaller allowance release in the third quarter compared to the second quarter. The allowance release in the third quarter totaled \$624 million for the company, compared with a release of \$1.0 billion in the second quarter of 2010. Continued improvement in credit loss and delinquency performance in the portfolio was the primary driver of the third quarter allowance release. The allowance as a percentage of outstanding loans was 4.89 percent at the end of the third quarter of 2010 compared with 5.35 percent at the end of the prior quarter.
- Period-end total assets decreased by \$557 million, or 0.28 percent, during the third quarter, to \$196.9 billion at the end of the third quarter of 2010. Loans held for investment at September 30, 2010, were \$126.3 billion, a decline of 0.6 percent from the prior quarter. Excluding the expected run-off in our Installment Loan portfolio in Domestic Card, our Mortgage portfolio in Consumer Banking, and our Small-Ticket CRE portfolio in Commercial Banking, loan balances were modestly higher than the prior quarter.
- Average total deposits during the quarter were \$118.3 billion, essentially even with the prior quarter. Period-end total deposits increased by \$1.9 billion, or 1.6 percent, to \$119.2 billion.
- The cost of funds decreased to 1.64 percent in the third quarter from 1.69 percent in the prior quarter, driven by the continuing replacement of higher cost wholesale funding with lower cost liquid deposits.
- Non-interest expense of \$2.0 billion in the third quarter of 2010 was essentially flat compared with the prior quarter, as declining operating expenses were offset by an increase in marketing expenses.
- The company's TCE ratio increased to 6.6 percent, up 50 basis points from the second quarter 2010 ratio of 6.1 percent. The Tier 1 risk-based capital ratio of 11.2 percent increased 130 basis points relative to the ratio of 9.9 percent in the prior quarter.

"Our tangible common equity ratio is higher than it was at the end of 2009, even with improving credit and a substantially higher loan loss allowance," said Gary L. Perlin, Capital One's Chief Financial Officer. "We expect to reach currently defined Basel III levels and definitions in 2011, well ahead of the phase-in requirements."

## 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 third quarter, a decline of \$789 million, or 1.4 percent, from the prior quarter, driven by \$746 million in expected run-off from the Installment Loan portfolio. International credit card loans increased in the quarter by \$218 million, or 3.0 percent, to \$7.5 billion, driven by foreign exchange movements.
- Domestic Card revenue margin rose 16 basis points to 16.77 percent in the third quarter from 16.61 percent in the prior quarter.
- Domestic Card provision expense decreased \$98 million in the third quarter relative to the prior quarter, driven by lower charge-offs in the quarter.
- Net charge-off rates relative to the prior quarter:
  - Domestic Card – improved 126 basis points to 8.23 percent from 9.49 percent
  - International Card – improved 78 basis points to 7.60 percent from 8.38 percent
- Delinquency rates relative to the prior quarter:
  - Domestic Card – improved 26 basis points to 4.53 percent from 4.79 percent
  - International Card – improved 19 basis points to 5.84 percent from 6.03 percent
- Purchase volumes in Domestic Card increased \$345 million, or 1.4 percent, relative to the prior quarter and 4.6 percent relative to the third quarter of 2009.

### **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 of \$39 million in the third quarter compared to \$77 million in the second quarter. The decline is largely attributable to higher provision expense which resulted from a smaller allowance release.
- Period-end loans in Commercial Banking were \$29.5 billion, essentially even with the prior quarter.
- Average deposits decreased by \$272 million, or 1.2 percent, to \$21.9 billion during the third quarter. The deposit interest expense rate remained at 67 basis points.
- Provision expense increased \$33 million primarily due to a smaller allowance release in the third quarter.
- Charge-off rate relative to the prior quarter:

- Total Commercial Banking – 1.27 percent, an increase of 6 basis points
- Commercial lending – 1.11 percent, an increase of 13 basis points
- Small ticket commercial real estate – 3.48 percent, a decline of 73 basis points
- Non-performing asset rate relative to the prior quarter:
  - Total Commercial Banking – 1.94 percent, a decline of 26 basis points
  - Commercial lending – 1.94 percent, a decline of 16 basis points
  - Small ticket commercial real estate – 2.04 percent, a decline of 153 basis points

### **Consumer Banking highlights**

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

- Provision expense increased \$226 million relative to the prior quarter as a result a smaller allowance release in the third quarter and seasonally higher charge-offs in auto finance.
- Period-end loans relative to the prior quarter:
  - Auto – increased \$422 million, or 2.5 percent, to \$17.6 billion.
  - Mortgage – declined \$559 million, or 4.2 percent, to \$12.8 billion. Mortgage loans continued to reflect expected run-off in the portfolio.
  - Retail banking – declined \$179 million, or 3.8 percent, to \$4.6 billion.
- Auto loan originations increased 38.2 percent over the prior quarter to \$2.4 billion in the third quarter.
- Average deposits in Consumer Banking increased \$1.1 billion, or 1.5 percent, to \$78.2 billion during the third quarter.
- Net charge-off rates relative to the prior quarter:
  - Auto – 2.71 percent, an increase of 62 basis points
  - Mortgage – 0.41 percent, a decrease of 5 basis points
  - Retail banking – 2.20 percent, an increase of 9 basis points

TCE and related ratios, as used throughout this release, are non-GAAP financial measures. For additional information, see "Regulatory and Non-GAAP Capital Ratios" in the Financial Supplement.

### **Forward looking statements**

The company cautions that its current expectations in this release dated October 18, 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 quarters ended March 31, 2010, and June 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 \$119.2 billion in deposits and \$196.9 billion in total assets outstanding as of September 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:**

Third quarter 2010 financial results, SEC Filings, and earnings conference call slides will be 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.