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Capital One Reports Third Quarter Earnings per Share

Company Increases 2004 Earnings Guidance
Company Sets 2005 Earnings Guidance

McLean, Va. (October 20, 2004) – Capital One Financial Corporation (NYSE: COF) today announced that earnings for the third quarter of 2004 were $490.2 million, or $1.97 per share (fully diluted), compared with earnings of $275.5 million, or $1.17 per share, for the third quarter of 2003 and $407.4 million, or $1.65 per share, in the second quarter of 2004. In addition, the company increased its 2004 earnings guidance to be between $6.10 and $6.40 per share (fully diluted) and announced its 2005 earnings guidance to be between $6.60 and $7.00 per share (fully diluted).

"Capital One's third quarter results demonstrate the sustained earnings power of our US credit card and diversified businesses," said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. "Today, 39 percent of our loans and 29 percent of our earnings are generated from our businesses beyond our US credit card segment."

During the third quarter of 2004, Capital One grew its managed loan portfolio by $2.1 billion to $75.5 billion. The company expects that the managed loan growth rate for the year will be in the 10-13 percent range. The company expects a managed loan growth range of 12-15 percent for 2005.

Marketing expense for the third quarter of 2004 increased $63.9 million to $317.7 million from $253.8 million in the previous quarter. Marketing expenses were $316.0 million in the comparable quarter of the prior year. The company expects to make a significantly higher investment in marketing in the fourth quarter leading to a marketing expense for the full year of 2004 that will be somewhat higher than the $1.1 billion in 2003. Additionally, the company expects annual marketing spend for 2005 to be similar to 2004.

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The managed charge-off rate declined to 4.05 percent in the third quarter of 2004, from 4.42 percent in the previous quarter, and 5.44 percent in the third quarter of 2003. The company continues to expect its quarterly managed charge-off rate to range between 4.0 and 4.5 percent through the end of 2005, with normal seasonal variations. Additionally, after reducing its allowance for loan losses this year by $200 million through the third quarter of 2004, the company expects that fourth quarter loan growth will drive a substantial increase in its allowance for loan losses in the fourth quarter of 2004. The managed delinquency rate (30+ days) increased to 3.90 percent as of September 30, 2004, from 3.76 percent as of the end of the previous quarter. The managed delinquency rate at September 30, 2003 was 4.65 percent.

Capital One's managed revenue margin increased to 13.03 percent in the third quarter of 2004, from 12.53 percent in the previous quarter. The company's managed revenue margin was 14.36 percent in the third quarter of 2003. The company expects revenue margin to move modestly lower over time, given its continued diversification and bias towards lower-loss assets.

Annualized operating expenses as a percentage of average managed loans declined to 5.35 percent in the third quarter of 2004, from 5.39 percent in the previous quarter and 5.81 percent in the third quarter of 2003. As part of operating expenses, the company took charges totaling $63.1 million in the third quarter of 2004 for asset write-offs and a combination of employee termination benefits and continued facility consolidations. The latter charges result from an ongoing review of operational expenses to ensure business lines are operating in the most efficient manner possible to continuously position the company for success. The company expects to take an additional $30 to $50 million of charges in the fourth quarter of 2004 for continued corporate-wide cost reduction efforts. Additionally, as part of its ongoing review of operations, the company sold its interest in a South African joint venture, recording a gain of $31.5 million in the third quarter of 2004. In October of 2004, the company sold its French loan portfolio and expects to record an estimated gain on sale of $43 million in the fourth quarter.

"We expect a return on managed assets of around 1.7 percent in 2004," said Gary L. Perlin, Capital One's Chief Financial Officer. "Although we expect to see a modest decline in our revenue margin going forward as we continue to diversify, we expect to continue to improve our operating efficiency in order to position our company for sustained success. We also expect a stable return on managed assets of around 1.7 percent in 2005, with quarterly variability."

The company generates earnings from its managed loan portfolio, which includes both on-balance sheet loans and securitized 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.

The company cautions that its current expectations in this release, in the presentation slides available on the company’s website (www.capitalone.com), and on its Form 10-K for the fiscal year ended December 31, 2003, for 2004 and 2005 earnings, charge-off rates, revenue margins, return on assets, allowance for loan losses, expenses, loan growth rates, marketing, and the composition of loan growth are forward-looking statements and actual results could differ materially from current expectations due to a number of factors, including: continued intense competition from numerous providers of products and services which compete with our businesses; changes in our aggregate accounts and balances, and the growth rate and composition thereof; the company’s ability to continue to diversify its assets; the company’s ability to access the capital markets at attractive rates and terms to fund its operations and future growth; the company’s ability to execute on its strategic and operating plans; and general economic conditions affecting consumer income and spending, which may affect consumer bankruptcies, defaults, and charge-offs.

A discussion of these and other factors can be found in Capital One’s annual report and other reports filed with the Securities and Exchange Commission, including, but not limited to, Capital One’s report on Form 10-K for the fiscal year ended December 31, 2003.

About Capital One

Headquartered in McLean, Virginia, Capital One Financial Corporation (www.capitalone.com) is a holding company whose principal subsidiaries, Capital One Bank and Capital One, F.S.B., offer consumer lending products and Capital One Auto Finance, Inc., offers automobile and other motor vehicle financing products. Capital One’s subsidiaries collectively had 47.2 million accounts and $75.5 billion in managed loans outstanding as of September 30, 2004. Capital One, a *Fortune 500* company, is one of the largest providers of MasterCard and Visa credit cards in the world. Capital One trades on the New York Stock Exchange under the symbol “COF” and is included in the S&P 500 index.

NOTE: Third quarter 2004 financial results, SEC Filings, and third quarter earnings conference call slides are accessible on Capital One's home page (www.capitalone.com). Choose "Investors" on the bottom right corner of the home page to view and download the earnings press release, slides, and other financial information. Additionally, a webcast of today's 5:00pm (EDT) earnings conference call is accessible through the same link.

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