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Capital One Reports 2008 Net Loss of \$.21 per common share (diluted), including Goodwill Impairment

2008 Earnings of \$2.28 per common share from Continuing Operations

Fourth quarter net loss of \$3.74 per common share, including goodwill impairment; fourth quarter net loss of \$1.59 per common share from continuing operations

- The company added \$1.0 billion to allowance for loan losses in anticipation of increasing charge-offs in 2009. Allowance as a percent of reported loans increased 90 basis points in the fourth quarter of 2008 to 4.5 percent.
- The company recognized an \$810.9 million non-cash impairment of goodwill in conjunction with its revised outlook for its Auto Finance business.
- Total deposits at December 31, 2008 were \$108.6 billion, up 31.2 percent from the prior year and up 9.8 percent from the third quarter of 2008, with stable deposit margins.
- Readily available liquidity increased to \$40 billion, up from \$32 billion at the end of the third quarter.
- Capital ratios remain strong – tangible common equity to tangible managed assets, or “TCE ratio”, of 5.57 percent; Tier 1 risk-based capital ratio of 13.6 percent.

McLean, Va. (Jan 22, 2009) – Capital One Financial Corporation (NYSE: COF) today announced a net loss for the full year 2008 of \$46.0 million, or \$.21 per common share (diluted), compared with earnings of \$1.6 billion, or \$3.97 per common share (diluted) in 2007. Net income from continuing operations, excluding the non-cash goodwill impairment, was \$895.4 million, or \$2.28 per common share (diluted) for 2008. For the fourth quarter of 2008, the company reported a net loss of \$1.4 billion, or \$3.74 per common share (diluted), compared with net income of \$226.6 million, or \$0.60 earnings per common share (diluted), in the fourth quarter of 2007, and compared to net income in the third quarter of 2008 of \$374.1 million, or \$1.00 per common share (diluted).

Net income from continuing operations excludes the loss from discontinued operations related to the shutdown of GreenPoint Mortgage in August 2007.

“The economic downturn was the key driver of our fourth quarter and full year results, and we expect that the recession will continue to impact our results throughout 2009,” said Richard D. Fairbank, Capital One's Chairman and Chief Executive Officer. “Our solid balance sheet positions us to continue navigating through these increasing cyclical headwinds and deliver value over the cycle.”

Total Company Results

- The company added \$1.0 billion to allowance for loan losses in anticipation of increasing charge-offs in 2009. The fourth quarter allowance was built on the assumption that the U.S. unemployment rate will increase to 8.7 percent by the end of 2009 and that, on average; home prices in the U.S. will decline an additional 10 percent by the end of the year. The total allowance for loan losses is now \$4.5 billion, which

is consistent with an outlook for \$8.6 billion in managed net charge-offs for the next twelve months through the fourth quarter of 2009, and brings the coverage ratio for reported loans up significantly to 4.5 percent at the end of the fourth quarter of 2008.

- Total managed revenues of \$16.8 billion in 2008 were essentially even with 2007, while fourth quarter 2008 managed revenues were 6.3 percent lower as compared to the third quarter of 2008.
- Total deposits at December 31, 2008 were \$108.6 billion, up 31.2 percent from the prior year and up 9.8 percent from the third quarter of 2008, with stable deposit margins.
- Managed loans held for investment of \$146.9 billion at December 31, 2008 declined 0.3 percent, from the third quarter of 2008, and were down 2.9 percent from December 31, 2007.
- Ongoing efficiency efforts lowered non-interest expense for continuing operations, excluding non-cash goodwill impairment, by \$676 million in 2008 versus 2007, which drove the efficiency ratio down from 47.30 percent in 2007 to 43.14 percent in 2008.
- Tangible common equity to tangible managed assets or "TCE ratio" remains strong at 5.57 percent, and the Tier 1 risk-based capital ratio of 13.6 percent continues to be well above the regulatory minimum.

"We have built our allowance in anticipation of further degradation in the economy, grown readily available liquidity to record levels, and are maintaining healthy capital ratios that are resilient to a range of economic outcomes," said Gary L. Perlin, Capital One's Chief Financial Officer. "These factors make our balance sheet the financial bedrock of our company and bolster our capacity to operate through this challenging economy."

Segment Results

Local Banking Segment highlights

Credit performance worsened in the quarter as the widening recession took hold in the company's local markets, impacting the New York metro region to a greater degree than Louisiana and Texas. Deposit growth accelerated in the fourth quarter as deposit strategies gained traction. Our deposit strategies focus on strong customer relationships, new products like our "rewards checking," and the company's well-known brand gained traction. The company will continue to focus on building and maintaining deposit-led relationships with its commercial, small business and consumer customers across its branch network. Local Banking managed loans grew by approximately \$420.2 million in the fourth quarter, as the expected run off of residential mortgage loans was partially offset by growth in the middle market commercial franchise.

The expected addition of Chevy Chase Bank in the first quarter will expand the portfolio of attractive local banking franchises and further improve the company's core deposit funding base.

- Local Banking reported a net loss for the fourth quarter of 2008 of \$6.5 million, down \$94.7 million from net income of \$88.2 million in the third quarter of 2008. Local Banking for 2008 was \$224.6 million.
- The net charge-off rate increased 44 basis points to 90 basis points in the fourth quarter of 2008 from 46 basis points in the third quarter of 2008, while non-performing loans as a percent of loans held for investment of 1.25 percent increased from 0.96 percent at the end of the third quarter of 2008.
- Loans held for investment of \$45.1 billion were up slightly relative to the third quarter of 2008, and up 2.5 percent over year end 2007.
- Local Banking deposits increased \$3.9 billion, or 5 percent, from the third quarter of 2008 to \$78.9 billion at December 31, 2008, and increased \$5.8 billion, or 8.0 percent, from year end 2007.

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.

Economic deterioration intensified during the fourth quarter, driving increasing delinquency and charge-off rates across all of our lending businesses. The fourth quarter charge-off rate in the U.S. Card business was 7.08%, in line with the expectations conveyed last quarter. The company now expects that the U.S. Card charge-off rate for the first quarter of 2009 will be around 8.1%, rather than the mid 7% range previously communicated. The change in outlook is primarily the result of declining balances and adverse credit performance of closed-end, unsecured loans that are included in the U.S. Card subsegment. Auto Finance delinquencies and charge-off rates increased in the quarter as a result of seasonality, economic worsening, declining loan balances, and the impact of sharply falling used car auction prices. Credit trends in the International business reflect increasing economic deterioration in the UK, and relative stability in the Canadian business.

National Lending managed loans did not grow in the fourth quarter, and declined modestly as compared to the prior year. Fourth quarter loan growth in the U.S. Card business was weaker than usual as a result of weak holiday spending. Managed loans in the International business declined by more than \$1.5 billion, as a result of foreign exchange rate impacts, as well as lower originations in the UK as the economy there continues to weaken. Managed loans in the Auto Finance business declined by \$824.5 million in the quarter as a result of the ongoing repositioning of the business.

The decisions made over the course of the last year to scale back origination volume in the Auto business have led to a reduced estimate of the fair value of the Auto business, and, in turn, recognition that the business can no longer support the full carrying value of goodwill. As a result, the business recorded a \$810.9 million non-cash impairment to goodwill.

- Despite significant credit pressures, the U.S. Card business delivered \$1.0 billion in net income for the year, the International business remained profitable for the full year 2008, with net income of \$67.9 million. As a result of the non-cash goodwill write-down, the Auto Finance business reported a net loss of \$958.9 million. In total, the National Lending segment reported net income of \$110.0 million.
- National Lending segment revenues of \$3.3 billion were down \$92.9 million, or 2.7 percent, in the fourth quarter of 2008 compared to the third quarter of 2008, and down \$474.8 million, or 12.5 percent, relative to the fourth quarter of 2007. For the full year 2008, revenues of \$13.7 billion were essentially flat compared to 2007.
- The delinquency rate was 5.93 percent as of December 31, 2008, an increase of 50 basis points from 5.43 percent as of September 30, 2008.
- The managed net charge-off rate for the National Lending segment increased 81 basis points in the fourth quarter of 2008 to 6.66 percent from 5.85 percent in the third quarter of 2008. The company expects the U.S. Card charge-off rate to be around 8.1 percent for the first quarter of 2009.
- Loans held for investment of \$101.1 billion were essentially flat relative to the third quarter of 2008 and down 5.0 percent relative to year end 2007.

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 January 22, 2009 for estimated loss levels for the twelve months ending December 31, 2009 underlying the provision expense in the fourth quarter of 2008, the projected charge-off rate in the U.S. Card subsegment for the first quarter of 2009 and continued degradation in the economy, and the company's plans, objectives, expectations, and intentions, are forward-looking statements and 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 interest rates and consumer income and confidence, spending, and savings which may affect consumer bankruptcies, defaults, charge-offs and deposit activity; 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, 2007, and reports on Form 10-Q for the quarters ended March 31, 2008, June 30, 2008, and September 30, 2008.

About Capital One

Capital One Financial Corporation (www.capitalone.com) is a financial holding company whose subsidiaries collectively had \$109 billion in deposits and \$147 billion in managed loans outstanding as of December 31, 2008. Headquartered in McLean, VA, Capital One has 738 locations primarily in New York, New Jersey, Texas, and Louisiana. Its principal subsidiaries, Capital One, N.A. and Capital One Bank (USA), N. A., offer a broad spectrum of financial products and services to consumers, small businesses and commercial clients. 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 2008 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.