Second quarter 2008 results

July 17, 2008
Forward looking statements

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Second quarter 2008 highlights

• Diluted EPS of $1.21; EPS from Continuing Operations of $1.24
  – Continuing Operations EPS down $0.72 from Q207, and down $0.46 from Q108
  – Higher provision expense drove decline from prior year
  – Lower revenue drove decline from prior quarter
  – Non-interest expense decreased $54M from Q108, adjusting for one-time effects

• Credit performance in the quarter largely in line with previous expectations
  – Managed chargeoff rate up 19bp from Q108 to 4.15%
  – Managed delinquency rate up 8bp from Q108 to 3.56%

• Results reflect expectations for continued weakening in US economy
  – Increased delinquency coverage ratios
  – Increased uncollectible revenue assumption

• Tighter underwriting in recent quarters resulting in portfolio contraction
  – Managed loans declined $0.8B from Q108

• Balance sheet remains a source of strength
  – Deposits increased $4.7B from Q108 to $92.4B
  – Increased immediately available liquidity by $3B to $33B
  – Internally generated capital increased TCE ratio 15bp to 6.18% after dividends
Margins declined in the quarter

Margins as % of Managed Assets

- Revenue Margin: Q107 9.20%, Q207 9.20%, Q307 9.00%, Q407 10.43%, Q108 9.12%
- Risk-Adjusted Margin: Q107 6.97%, Q207 6.97%, Q307 7.06%, Q407 7.06%, Q108 6.22%
- Net Interest Margin: Q107 6.15%, Q207 6.78%, Q307 6.78%, Q407 6.78%, Q108 5.70%
Revenue margin declined from Q1 highs due to a variety of factors:

### Factors which drove Q1 margin higher

<table>
<thead>
<tr>
<th>Revenue Margin Driver</th>
<th>Estimated Impact Q1 to Q2</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rates</td>
<td>(30 bp)</td>
<td>Timing benefit from 200bp Q1 drop in rates</td>
</tr>
<tr>
<td>Seasonality</td>
<td>(15 bp)</td>
<td>Higher fees and lower suppression in Q1</td>
</tr>
<tr>
<td>One-time items</td>
<td>(25 bp)</td>
<td>Q1 gains from Visa IPO &amp; debt extinguishment</td>
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</table>

### Factors pressuring Q2 margin

<table>
<thead>
<tr>
<th>Revenue Margin Driver</th>
<th>Estimated Impact Q1 to Q2</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased investment portfolio</td>
<td>(25 bp)</td>
<td>Strengthens liquidity position, positive carry</td>
</tr>
<tr>
<td>Higher late stage delinquency flow rates</td>
<td></td>
<td>Increased suppression</td>
</tr>
<tr>
<td>Lower early delinquencies &amp; overlimits</td>
<td></td>
<td>Consumer caution; adapting to 2007 policy changes</td>
</tr>
<tr>
<td>- Consumer behavior</td>
<td></td>
<td>Originating only in the most resilient segments</td>
</tr>
<tr>
<td>- Tightened underwriting</td>
<td></td>
<td>Focused on curing early delinquencies</td>
</tr>
<tr>
<td>- Increased collections intensity</td>
<td></td>
<td>Difficult to quantify impact</td>
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<td>- Economic stimulus payments</td>
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</table>
We continue to drive efficiency gains

**Q208 Summary**

- Operating expenses down $45M from Q108, adjusted for $91M legal reserve release in Q108

- Marketing down $10M from Q108, due to cautious view of loan growth

- Lower revenue drove increase to efficiency ratio
Credit performance is largely in-line with expectations

Monthly Managed Net Charge-off Rate

Bankruptcy Filing Spike

National Lending: Q208: 5.67%

Local Banking: Q208: 0.34%

Monthly Managed Delinquency and Non-Performing Loan Rate

National Lending

Q208 30+ Delinquency Rate: 4.87%

Local Banking:
Non-performing loans as % of loans, Q208: 0.81%
We have increased loan-loss allowance coverage ratios in-line with indications of a weaker US economy.

Quarterly Highlights

- Observed delinquency trends and portfolio contraction reduced base allowance requirement by more than $100M
- Weakening economic indicators suggest further credit pressure likely, resulting in $38M allowance build
- Allowance has capacity to absorb the equivalent of $7B of managed charge-offs over the next 12 months
Despite economic headwinds, we remain capital generative

- Continue $0.375 quarterly dividend
- Share buybacks unlikely until economic outlook improves
- Expect TCE ratio to remain above target range of 5.5%-6.0%
- Tier 1 risk-based capital ratio of 11.4% (estimated)
We continue to maintain ample liquidity

Quarterly Highlights

- Liquidity of 5x next 12 months of capital markets funding plan

- $5.5B Holding Company cash covers parent obligations for over 2 years, including current dividend

- Quarterly funding favored deposits
  - $4.7B net deposit growth
  - $2.6B AAA US Card ABS

- Increased investment portfolio by $3B to $25B
  - Highly liquid, low risk assets
  - No SIV’s, CDO’s, leveraged loans
  - No exposure to equity or hybrids
Capital One delivered an operating profit of $463M despite significant cyclical credit headwinds

<table>
<thead>
<tr>
<th></th>
<th>Q208</th>
<th>Q108</th>
<th>Q407</th>
<th>Q307</th>
<th>Q207</th>
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<tr>
<td><strong>National Lending</strong></td>
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<tr>
<td>US Card</td>
<td>$340.4</td>
<td>$491.1</td>
<td>$498.7</td>
<td>$626.8</td>
<td>$592.9</td>
</tr>
<tr>
<td>Auto Finance</td>
<td>33.6</td>
<td>(82.4)</td>
<td>(112.4)</td>
<td>(3.8)</td>
<td>38.0</td>
</tr>
<tr>
<td>International</td>
<td>33.7</td>
<td>33.3</td>
<td>54.7</td>
<td>47.4</td>
<td>18.2</td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>407.6</td>
<td>442.0</td>
<td>441.0</td>
<td>670.5</td>
<td>649.1</td>
</tr>
<tr>
<td><strong>Local Banking</strong></td>
<td>67.1</td>
<td>75.8</td>
<td>103.6</td>
<td>195.5</td>
<td>154.8</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(12.2)</td>
<td>114.6</td>
<td>(223.0)</td>
<td>(49.6)</td>
<td>(36.3)</td>
</tr>
<tr>
<td><strong>Total Company</strong></td>
<td>$462.5</td>
<td>$632.6</td>
<td>$321.6</td>
<td>$816.4</td>
<td>$767.6</td>
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</table>
Our US Card business continues to deliver profits and generate capital despite a deteriorating economic environment.

**US Card Credit Risk Metrics**

- Managed Net Charge-off Rate: Increasing from 3.72% in Q1 2007 to 5.85% in Q1 2008.
- Managed 30+ Delinquency Rate: Increasing from 3.06% in Q1 2007 to 3.85% in Q1 2008.

**US Card Revenue Margin and Non-Interest Expenses as a % of Average Loans**

- Revenue Margin: Decreasing from 13.92% in Q1 2007 to 14.96% in Q1 2008.
- Non-Interest Expenses as a % of Average Loans: Increasing from 6.11% in Q1 2007 to 5.38% in Q1 2008.
We continue to aggressively retrench and reposition our auto business for resilience

Credit Risk Metrics

- Managed Net Charge-off Rate: 2.29%, 2.35%, 3.56%, 4.64%
- Managed 30+ Delinquency Rate: 6.00%, 7.15%, 6.42%, 7.84%, 7.62%

Auto Loan Originations and Managed Loans ($B)

- Q107: Managed Net Charge-off Rate = 3.84%, Managed 30+ Delinquency Rate = 2.29%
- Q207: Managed Net Charge-off Rate = 3.98%, Managed 30+ Delinquency Rate = 3.56%
- Q307: Managed Net Charge-off Rate = 3.56%, Managed 30+ Delinquency Rate = 4.00%
- Q407: Managed Net Charge-off Rate = 7.62%, Managed 30+ Delinquency Rate = 3.98%

Total Outstandings ($B): $23.9, $24.1, $24.3, $25.1, $24.6, $23.4
Our banking team is focused on aggressively managing credit exposures, growing deposits, and investing for the long-term.
We expect sound operating metrics in 2008, despite continued credit headwinds

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<tr>
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<th>2008 Outlook</th>
<th>Commentary</th>
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<tr>
<td>Loan/Deposit Growth</td>
<td>Low single-digit decline in ending loans</td>
<td>Flat growth in average loans</td>
</tr>
<tr>
<td></td>
<td>Double-digit growth in ending deposits</td>
<td>High single-digit growth in average deposits</td>
</tr>
<tr>
<td>Revenue Growth</td>
<td>Low-to-mid single digits</td>
<td>Revenue growth towards lower end of range if Q2 trends persist</td>
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<tr>
<td>Cost Management</td>
<td>Low-to mid-40%'s efficiency ratio; At least $200M Y/Y OpEx reduction vs. 2007</td>
<td>Revenue trends will drive efficiency ratio</td>
</tr>
<tr>
<td>Credit Expectations</td>
<td>Continued economic weakness</td>
<td>Allowance at 6/30/08 has capacity to absorb up to the equivalent of $7B in managed charge-offs over the next 12 months</td>
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<td>Capital Management</td>
<td>TCE ratio above 5.5-6.0% target</td>
<td>Continue $0.375 quarterly dividend</td>
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<td>No share repurchases until economic outlook improves</td>
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Despite continuing economic headwinds, Capital One remains well positioned to deliver value through the cycle

**Strong Position**

- Resilient businesses
- Conservatism imbedded in underwriting decisions
- Banking transformation
  - Fortified funding and liquidity
  - Strong capital position
  - Broad funding flexibility

**Decisive Actions**

- Pulled back on loan growth across lending businesses
  - Tightened underwriting across lending businesses
- Retrenching and repositioning Auto Finance
- Pulled back or exited least resilient businesses
- Recalibrated underwriting models and approaches
- Increased collections intensity
- Enhancing and leveraging strong balance sheet
- Managing capital with discipline