



Third Quarter 2019 Results

October 24, 2019

Forward-Looking Statements



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You should carefully consider the factors discussed above in evaluating these forward-looking statements. All information in these slides is based on the consolidated results of Capital One Financial Corporation, unless otherwise noted. A reconciliation of any non-GAAP financial measures included in this presentation can be found in Capital One's Current Report on Form 8-K filed October 24, 2019, available on its website at www.capitalone.com under "Investors."

Company Highlights

- Net income for the third quarter of 2019 of \$1.3 billion, or \$2.69 per diluted common share
 - Excluding adjusting items, net income per diluted common share for the third quarter of 2019 of \$3.32⁽¹⁾
- Pre-provision earnings decreased 8% to \$3.1 billion for the third quarter of 2019⁽²⁾
- Efficiency ratio of 55.64% for the third quarter of 2019
 - Efficiency ratio excluding adjusting items of 52.04%⁽¹⁾
- Operating efficiency ratio of 48.44% for the third quarter of 2019
 - Operating efficiency ratio excluding adjusting items of 44.98%⁽¹⁾
- Adjusting items in the quarter, which are excluded from diluted EPS and efficiency ratio metrics (see slide 13 for additional information):

	Pre-Tax	Diluted EPS
<i>(Dollars in millions, except per share data)</i>	Impact	Impact
U.K. Payment Protection Insurance customer refund reserve build (“U.K. PPI Reserve”)	\$ 212	\$ 0.45
Walmart launch and related integration expenses	84	0.14
Cybersecurity Incident expenses, net of insurance	22	0.04

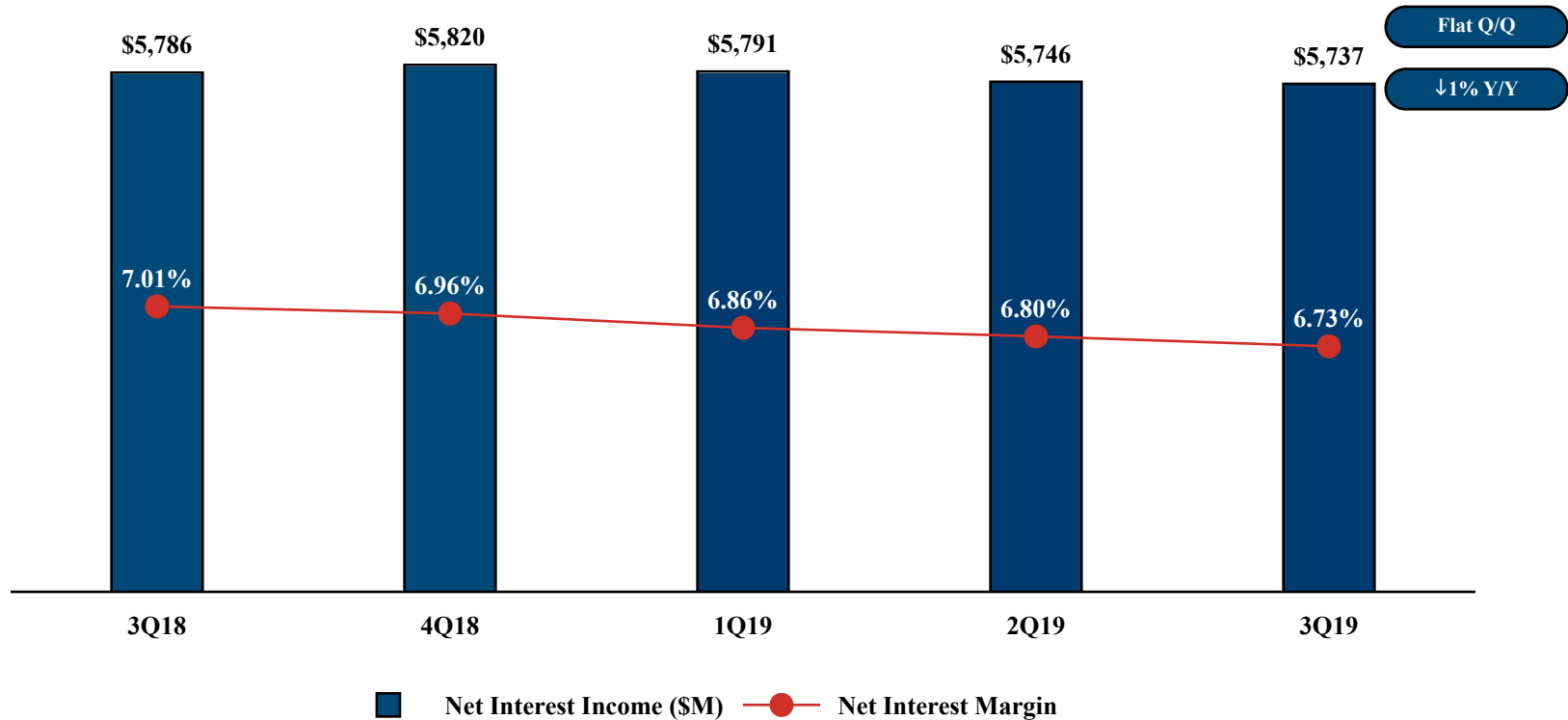
- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 12.5% at September 30, 2019
- Repurchased 5.3 million common shares
- Period-end loans held for investment increased \$4.9 billion to \$249.4 billion
- Average loans held for investment increased \$3.5 billion to \$246.1 billion
- Period-end total deposits increased \$2.6 billion to \$257.1 billion
- Average total deposits increased \$1.4 billion to \$255.1 billion

Note: All comparisons are for the third quarter of 2019 compared with the second quarter of 2019 unless otherwise noted. Regulatory capital metrics and capital ratios as of September 30, 2019 are preliminary and therefore subject to change.

⁽¹⁾ Amounts excluding adjusting items are non-GAAP measures. See Appendix slides 13-15 for the reconciliation of non-GAAP measures to our reported results.

⁽²⁾ Pre-provision earnings is calculated based on the sum of net interest income and non-interest income, less non-interest expense for the period.

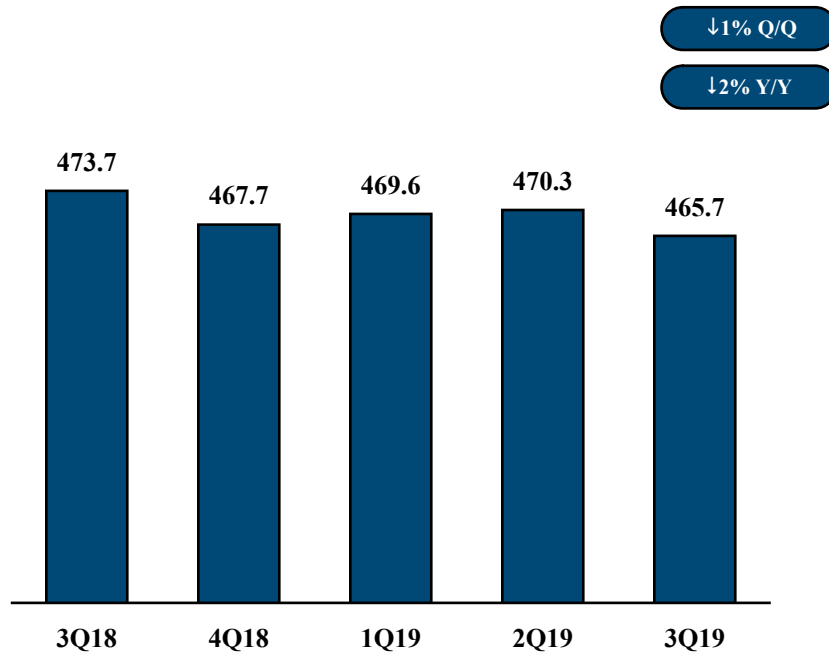
Net Interest Income and Net Interest Margin



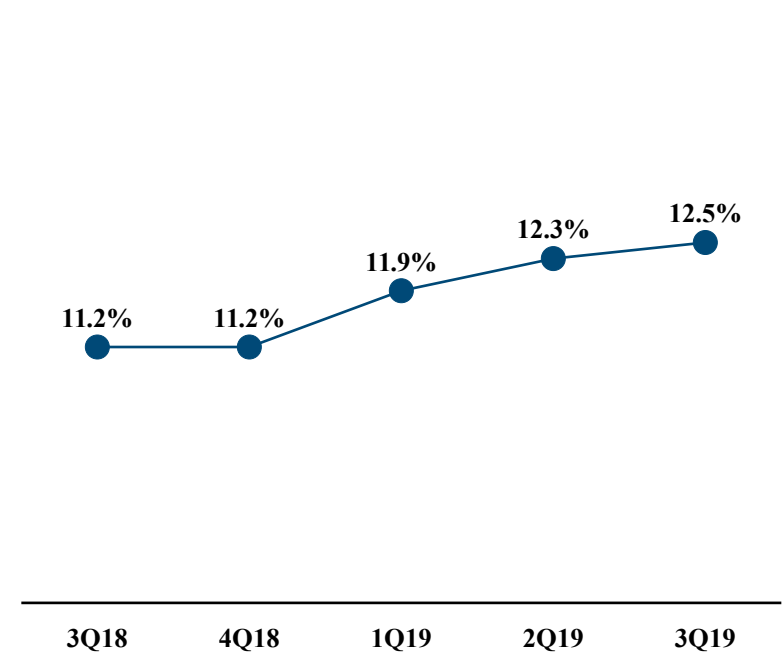
Third Quarter 2019 Highlights

- The U.K. PPI Reserve build decreased net interest margin by 8 basis points in the quarter and drove the decline quarter-over-quarter
- Net interest margin decreased 28 basis points year-over-year primarily driven by higher average deposit costs and the U.K. PPI Reserve build impact

Ending Common Shares Outstanding (M)



Common Equity Tier 1 Capital Ratio

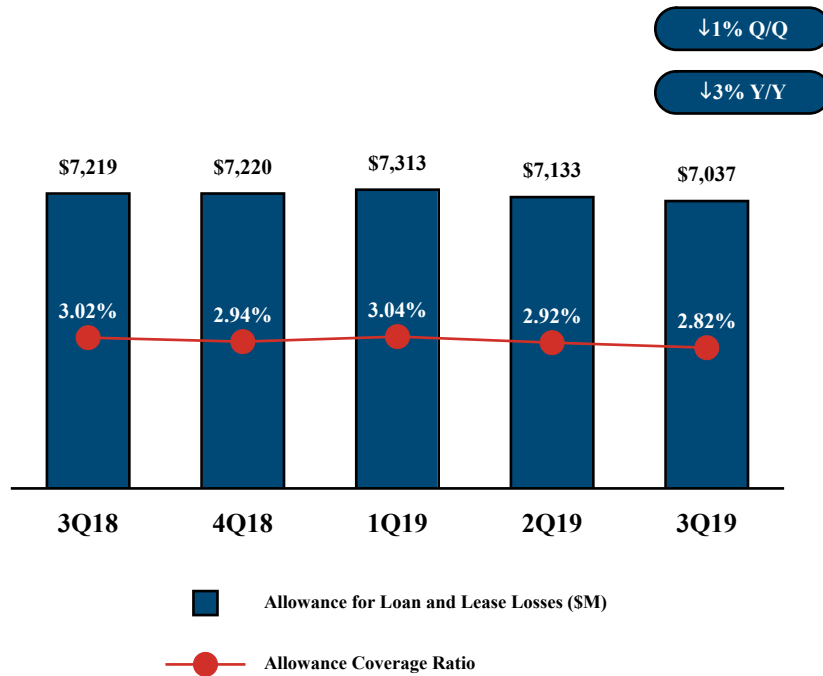


Third Quarter 2019 Highlights

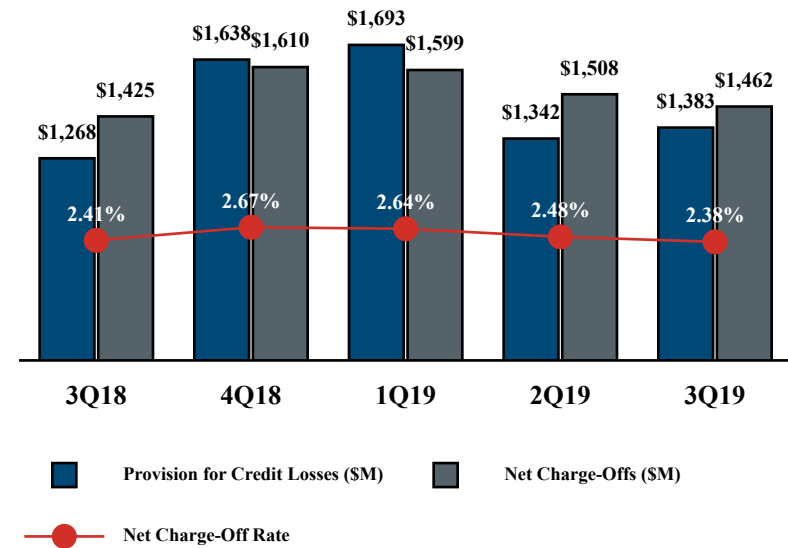
- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 12.5% at September 30, 2019
- Repurchased 5.3 million common shares

Note: Regulatory capital metrics and capital ratios as of September 30, 2019 are preliminary and therefore subject to change.

Allowance for Loan and Lease Losses



Provision for Credit Losses and Net Charge-Offs



Third Quarter 2019 Highlights

- Net charge-off rate of 2.38%
- Allowance for loan and lease losses decreased by \$96 million to \$7.0 billion
- Allowance coverage ratio of 2.82%

Financial Summary—Business Segment Results



<i>(Dollars in millions)</i>	Three Months Ended September 30, 2019				
	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Net interest income	\$ 3,546	\$ 1,682	\$ 486	\$ 23	\$ 5,737
Non-interest income (loss)	870	165	221	(34)	1,222
Total net revenue (loss)	4,416	1,847	707	(11)	6,959
Provision for credit losses	1,087	203	93	—	1,383
Non-interest expense	2,360	985	414	113	3,872
Income (loss) from continuing operations before income taxes	969	659	200	(124)	1,704
Income tax provision (benefit)	235	154	46	(60)	375
Income (loss) from continuing operations, net of tax	\$ 734	\$ 505	\$ 154	\$ (64)	\$ 1,329

(Dollars in millions, except as noted)

				2019 Q3 vs.	
	2019 Q3	2019 Q2	2018 Q3	2019 Q2	2018 Q3
Earnings:					
Net interest income	\$ 3,546	\$ 3,531	\$ 3,596	—	(1)%
Non-interest income	870	1,038	893	(16)%	(3)
Total net revenue	4,416	4,569	4,489	(3)	(2)
Provision for credit losses	1,087	1,095	1,031	(1)	5
Non-interest expense	2,360	2,253	2,103	5	12
Pre-tax income	969	1,221	1,355	(21)	(28)
Selected performance metrics:					
Period-end loans held for investment	\$ 113,681	\$ 112,141	\$ 110,685	1%	3%
Average loans held for investment	112,371	110,798	109,510	1	3
Total net revenue margin	15.72%	16.50%	16.40%	(78)bps	(68)bps
Net charge-off rate	4.09	4.76	4.15	(67)	(6)
Purchase volume	\$ 108,034	\$ 106,903	\$ 97,469	1%	11%

Third Quarter 2019 Highlights

- Ending loans up \$3.0 billion, or 3%, year-over-year; average loans up \$2.9 billion, or 3%, year-over-year
- Purchase volume up 11% year-over-year
- Revenue down \$73 million, or 2%, year-over-year
- Revenue margin of 15.72%
- Non-interest expense up \$257 million, or 12%, year-over-year
- Provision for credit losses up \$56 million year-over-year
- Net charge-off rate of 4.09%

Domestic Card



				2019 Q3 vs.	
	2019 Q3	2019 Q2	2018 Q3	2019 Q2	2018 Q3
<i>(Dollars in millions, except as noted)</i>					
Earnings:					
Net interest income	\$ 3,299	\$ 3,220	\$ 3,280	2%	1%
Non-interest income	878	971	819	(10)	7
Total net revenue	4,177	4,191	4,099	—	2
Provision for credit losses	1,010	1,024	950	(1)	6
Non-interest expense	2,076	2,034	1,890	2	10
Pre-tax income	1,091	1,133	1,259	(4)	(13)
Selected performance metrics:					
Period-end loans held for investment	\$ 104,664	\$ 102,959	\$ 101,564	2%	3%
Average loans held for investment	103,426	101,930	100,566	1	3
Total net revenue margin	16.15%	16.45%	16.30%	(30)bps	(15)bps
Net charge-off rate	4.12	4.86	4.35	(74)	(23)
30+ day delinquency rate	3.71	3.40	3.80	31	(9)
Purchase volume	\$ 99,087	\$ 98,052	\$ 89,205	1%	11%

Third Quarter 2019 Highlights

- Ending loans up \$3.1 billion, or 3%, year-over-year; average loans up \$2.9 billion, or 3%, year-over-year
- Purchase volume up 11% year-over-year
- Revenue up \$78 million, or 2%, year-over-year
- Revenue margin of 16.15%
- Non-interest expense up \$186 million, or 10%, year-over-year
- Provision for credit losses up \$60 million year-over-year
- Net charge-off rate of 4.12%

(Dollars in millions, except as noted)

	2019		2018	2019 Q3 vs.	
	Q3	Q2		2019	2018
Earnings:					
Net interest income	\$ 1,682	\$ 1,709	\$ 1,636	(2)%	3%
Non-interest income	165	166	155	(1)	6
Total net revenue	1,847	1,875	1,791	(1)	3
Provision for credit losses	203	165	184	23	10
Non-interest expense	985	1,002	979	(2)	1
Pre-tax income	659	708	628	(7)	5
Selected performance metrics:					
Period-end loans held for investment	\$ 62,015	\$ 60,327	\$ 59,329	3%	5%
Average loans held for investment	61,269	59,858	59,220	2	3
Auto loan originations	8,175	7,327	6,643	12	23
Period-end deposits	206,423	205,220	196,635	1	5
Average deposits	204,933	204,164	194,687	—	5
Average deposits interest rate	1.31%	1.26%	1.00%	5bps	31bps
Net charge-off rate	1.64	1.15	1.77	49	(13)

Third Quarter 2019 Highlights

- Ending loans up \$2.7 billion, or 5%, year-over-year; average loans up \$2.0 billion, or 3%, year-over-year
- Ending deposits up \$9.8 billion, or 5%, year-over-year
- Revenue up \$56 million, or 3%, year-over-year
- Non-interest expense flat year-over-year
- Provision for credit losses up \$19 million year-over-year
- Net charge-off rate of 1.64%

	2019		2018	2019 Q3 vs.	
	Q3	Q2	Q3	2019 Q2	2018 Q3
<i>(Dollars in millions, except as noted)</i>					
Earnings:					
Net interest income	\$ 486	\$ 514	\$ 513	(5)%	(5)%
Non-interest income	221	200	189	11	17
Total net revenue ⁽¹⁾	707	714	702	(1)	1
Provision for credit losses	93	82	54	13	72
Non-interest expense	414	427	408	(3)	1
Pre-tax income	200	205	240	(2)	(17)
Selected performance metrics:					
Period-end loans held for investment	\$ 73,659	\$ 71,992	\$ 68,747	2%	7%
Average loans held for investment	72,507	71,997	68,036	1	7
Period-end deposits	30,923	30,761	30,474	1	1
Average deposits	30,693	31,364	31,061	(2)	(1)
Average deposits interest rate	1.25%	1.28%	0.79%	(3)bps	46bps
Net charge-off rate	0.33	0.09	0.16	24	17
Risk category as a percentage of period-end loans held for investment:⁽²⁾					
Criticized performing	2.8%	3.1%	3.2%	(30)bps	(40)bps
Criticized nonperforming	0.6	0.5	0.4	10	20

Third Quarter 2019 Highlights

- Ending loans up \$4.9 billion, or 7%, year-over-year; average loans up \$4.5 billion, or 7%, year-over-year
- Ending deposits up \$449 million, or 1%, year-over-year; average deposits down \$368 million, or 1%, year-over-year
- Revenue flat year-over-year
- Non-interest expense flat year-over-year
- Provision for credit losses up \$39 million year-over-year
- Net charge-off rate of 0.33%
- Criticized performing loan rate of 2.8% and criticized nonperforming loan rate of 0.6%

⁽¹⁾ In the first quarter of 2019, we made a change in how revenue is measured by revising the allocation of tax benefits on certain tax-advantaged investments. As such, prior period results have been recast to conform with the current period presentation, which reduced previously reported total net revenue by \$26 million in Q3 2018, with an offsetting increase in the Other category.

⁽²⁾ Criticized exposures correspond to the “Special Mention,” “Substandard” and “Doubtful” asset categories defined by bank regulatory authorities.

Appendix

Non-GAAP Measures



<i>(Dollars in millions, except per share data and as noted)</i>	2019 Q3			2019 Q2			2019 Q1			Nine Months Ended September 30, 2019		
	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results
Selected income statement data:												
Net interest income	\$ 5,737	\$ 67	\$ 5,804	\$ 5,746	—	\$ 5,746	\$ 5,791	—	\$ 5,791	\$ 17,274	\$ 67	\$ 17,341
Non-interest income	1,222	73	1,295	1,378	\$ 1	1,379	1,292	—	1,292	3,892	74	3,966
Total net revenue	6,959	140	7,099	7,124	1	7,125	7,083	—	7,083	21,166	141	21,307
Provision for credit losses	1,383	—	1,383	1,342	—	1,342	1,693	—	1,693	4,418	—	4,418
Non-interest expense	3,872	(178)	3,694	3,779	(81)	3,698	3,671	\$ (25)	3,646	11,322	(284)	11,038
Income from continuing operations before income taxes	1,704	318	2,022	2,003	82	2,085	1,719	25	1,744	5,426	425	5,851
Income tax provision	375	21	396	387	19	406	309	6	315	1,071	46	1,117
Income from continuing operations, net of tax	1,329	297	1,626	1,616	63	1,679	1,410	19	1,429	4,355	379	4,734
Income from discontinued operations, net of tax	4	—	4	9	—	9	2	—	2	15	—	15
Net income	1,333	297	1,630	1,625	63	1,688	1,412	19	1,431	4,370	379	4,749
Dividends and undistributed earnings allocated to participating securities ⁽²⁾	(10)	(2)	(12)	(12)	(1)	(13)	(12)	—	(12)	(34)	(3)	(37)
Preferred stock dividends	(53)	—	(53)	(80)	—	(80)	(52)	—	(52)	(185)	—	(185)
Net income available to common stockholders	\$ 1,270	\$ 295	\$ 1,565	\$ 1,533	\$ 62	\$ 1,595	\$ 1,348	\$ 19	\$ 1,367	\$ 4,151	\$ 376	\$ 4,527
Selected performance metrics:												
Diluted EPS ⁽²⁾	\$ 2.69	\$ 0.63	\$ 3.32	\$ 3.24	\$ 0.13	\$ 3.37	\$ 2.86	\$ 0.04	\$ 2.90	\$ 8.79	\$ 0.80	\$ 9.59
Efficiency ratio	55.64%	(360)bps	52.04%	53.05%	(115)bps	51.90%	51.83%	(35)bps	51.48%	53.49%	(169)bps	51.80%
Operating efficiency ratio	48.44	(346)	44.98	45.38	(114)	44.24	44.53	(35)	44.18	46.10	(164)	44.46

Non-GAAP Measures



	2018			2018			2018			Nine Months Ended		
	Q3			Q2			Q1			September 30, 2018		
<i>(Dollars in millions, except per share data and as noted)</i>	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results
Selected income statement data:												
Net interest income	\$ 5,786	—	\$ 5,786	\$ 5,551	\$ 26	\$ 5,577	\$ 5,718	—	\$ 5,718	\$ 17,055	\$ 26	\$ 17,081
Non-interest income	1,176	\$ (155)	1,021	1,641	(361)	1,280	1,191	\$ 2	1,193	4,008	(514)	3,494
Total net revenue	6,962	(155)	6,807	7,192	(335)	6,857	6,909	2	6,911	21,063	(488)	20,575
Provision for credit losses	1,268	2	1,270	1,276	46	1,322	1,674	—	1,674	4,218	48	4,266
Non-interest expense	3,773	(186)	3,587	3,424	(45)	3,379	3,573	(17)	3,556	10,770	(248)	10,522
Income from continuing operations before income taxes	1,921	29	1,950	2,492	(336)	2,156	1,662	19	1,681	6,075	(288)	5,787
Income tax provision	420	(33)	387	575	(92)	483	319	4	323	1,314	(121)	1,193
Income from continuing operations, net of tax	1,501	62	1,563	1,917	(244)	1,673	1,343	15	1,358	4,761	(167)	4,594
Income (loss) from discontinued operations, net of tax	1	—	1	(11)	—	(11)	3	—	3	(7)	—	(7)
Net income	1,502	62	1,564	1,906	(244)	1,662	1,346	15	1,361	4,754	(167)	4,587
Dividends and undistributed earnings allocated to participating securities ⁽²⁾	(9)	—	(9)	(12)	2	(10)	(10)	—	(10)	(32)	1	(31)
Preferred stock dividends	(53)	—	(53)	(80)	—	(80)	(52)	—	(52)	(185)	—	(185)
Net income available to common stockholders	\$ 1,440	\$ 62	\$ 1,502	\$ 1,814	\$ (242)	\$ 1,572	\$ 1,284	\$ 15	\$ 1,299	\$ 4,537	\$ (166)	\$ 4,371
Selected performance metrics:												
Diluted EPS ⁽²⁾	\$ 2.99	\$ 0.13	\$ 3.12	\$ 3.71	\$ (0.49)	\$ 3.22	\$ 2.62	\$ 0.03	\$ 2.65	\$ 9.32	\$ (0.34)	\$ 8.98
Efficiency ratio	54.19%	(149)bps	52.70%	47.61%	167bps	49.28%	51.72%	(27)bps	51.45%	51.13%	1bps	51.14%
Operating efficiency ratio	46.95	(166)	45.29	41.70	138	43.08	45.72	(26)	45.46	44.76	(15)	44.61

Note: We believe these selected non-GAAP measures help investors and users of our financial information understand the effect of the adjustments on our selected reported results. These adjusted results provide alternate measurements of our operating performance, both for the current period and trends across multiple periods. These non-GAAP measures should not be viewed as a substitute for our reported results determined in accordance with accounting principles generally accepted in the U.S. (“GAAP”), nor are they necessarily comparable to non-GAAP measures that may be presented by other companies.

Non-GAAP Measures



(1) Adjustments for the following periods consist of:

<i>(Dollars in millions)</i>	2019	2019	2019	Nine Months Ended	2018	2018	2018	Nine Months Ended
	Q3	Q2	Q1	September 30, 2019	Q3	Q2	Q1	September 30, 2018
U.K. Payment Protection Insurance customer refund reserve build ("U.K. PPI Reserve")	\$ 212	—	—	\$ 212	—	\$ 49	—	\$ 49
Walmart launch and related integration expenses	84	\$ 54	\$ 25	163	—	—	—	—
Cybersecurity Incident expenses, net of insurance	22	—	—	22	—	—	—	—
Restructuring charges	—	28	—	28	—	15	\$ 19	34
Net gains on the sales of exited businesses	—	—	—	—	\$ (141)	(400)	—	(541)
Legal reserve build	—	—	—	—	170	—	—	170
Total	318	82	25	425	29	(336)	19	(288)
Income tax provision (benefit)	21	19	6	46	(33)	(92)	4	(121)
Net income	\$ 297	\$ 63	\$ 19	\$ 379	\$ 62	\$ (244)	\$ 15	\$ (167)

(2) Dividends and undistributed earnings allocated to participating securities and earnings per share are computed independently for each period. Accordingly, the sum of each quarterly amount may not agree to the year-to-date total.