Second Quarter 2018 Results

July 19, 2018

Forward-Looking Statements

Please note that the following materials containing information regarding Capital One's financial performance speak only as of the particular date or dates indicated in these materials. Capital One does not undertake any obligation to update or revise any of the information contained herein whether as a result of new information, future events or otherwise.

Certain statements in this presentation and other oral and written statements made by Capital One from time to time are forward-looking statements, including those that discuss, among other things: strategies, goals, outlook or other non-historical matters; projections, revenues, income, returns, expenses, capital measures, accruals for claims in litigation and for other claims against Capital One, earnings per share or other financial measures for Capital One; future financial and operating results; Capital One's plans, objectives, expectations and intentions; and the assumptions that underlie these matters. To the extent that any such information is forward-looking, it is intended to fit within the safe harbor for forward-looking information provided by the Private Securities Litigation Reform Act of 1995. Numerous factors could cause Capital One's actual results to differ materially from those described in such forward-looking statements, including, among other things: general economic and business conditions in the U.S., the U.K., Canada or Capital One's local markets, including conditions affecting employment levels, interest rates, collateral values, consumer income, credit worthiness and confidence, spending and savings that may affect consumer bankruptcies, defaults, charge-offs and deposit activity; an increase or decrease in credit losses, including increases due to a worsening of general economic conditions in the credit environment, and the impact of inaccurate estimates or inadequate reserves; compliance with financial, legal, regulatory, tax or accounting changes or actions, including the impacts of the Tax Act, the Dodd-Frank Act, and other regulations governing bank capital and liquidity standards; developments, changes or actions relating to any litigation, governmental investigation or regulatory enforcement action or matter involving Capital One; the inability to sustain revenue and earnings growth; increases or decreases in interest rates; Capital One's ability to access the capital markets at attractive rates and terms to capitalize and fund its operations and future growth; increases or decreases in Capital One's aggregate loan balances or the number of customers and the growth rate and composition thereof, including increases or decreases resulting from factors such as shifting product mix, amount of actual marketing expenses Capital One incurs and attrition of loan balances; the amount and rate of deposit growth; Capital One's ability to execute on its strategic and operational plans; Capital One's response to competitive pressures; changes in retail distribution strategies and channels, including the emergence of new technologies and product delivery systems; the success of Capital One's marketing efforts in attracting and retaining customers; changes in the reputation of, or expectations regarding, the financial services industry or Capital One with respect to practices, products or financial condition; any significant disruption in Capital One's operations or in the technology platforms on which Capital One relies, including cybersecurity, business continuity and related operational risks, as well as other security failures or breaches of Capital One's systems or those of its customers, partners, service providers or other third parties; Capital One's ability to maintain a compliance and technology infrastructure suitable for the nature of its business; Capital One's ability to develop and adapt to rapid changes in digital technology to address the needs of its customers and comply with applicable regulatory standards, including Capital One's increasing reliance on third party infrastructure and compliance with data protection and privacy standards; the effectiveness of Capital One's risk management strategies; Capital One's ability to control costs, including the amount of, and rate of growth in, its expenses as Capital One's business develops or changes or as Capital One expands into new market areas; the extensive use, reliability and accuracy of the models and data Capital One relies on in its business; Capital One's ability to recruit and retain talented and experienced personnel; the impact from, and Capital One's ability to respond to, natural disasters and other catastrophic events; changes in the labor and employment markets; fraud or misconduct by Capital One's customers, employees, business partners or third parties; merchants' increasing focus on the fees charged by credit card networks; and other risk factors listed from time to time in reports that Capital One files with the Securities and Exchange Commission, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 2017.

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 July 19, 2018, available on its website at www.capitalone.com under "Investors."

Company Highlights

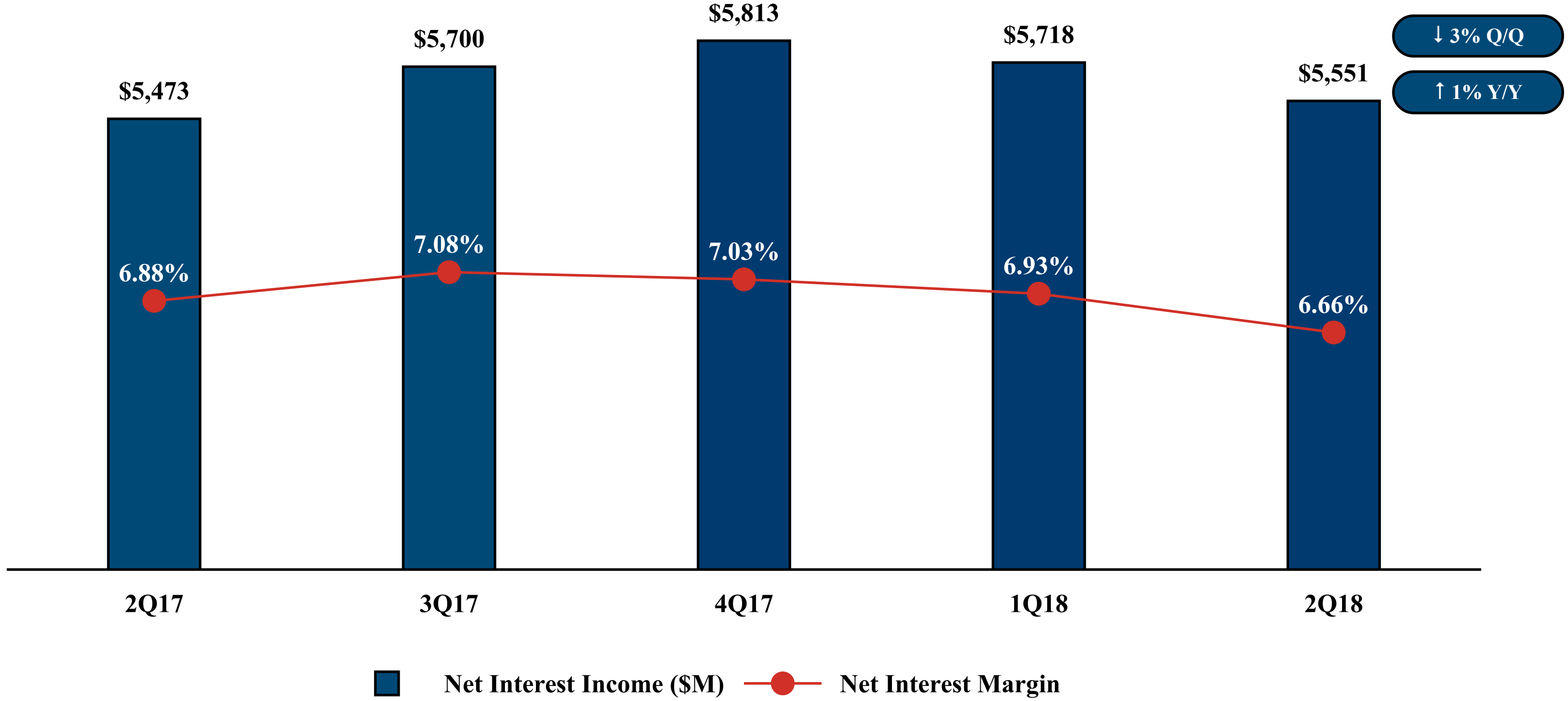
- Net income for the second quarter of 2018 of $1.9 billion, or $3.71 per diluted common share.
  - Excluding adjusting items, net income per diluted common share was $3.22[(1)].
- Pre-provision earnings increased 13% to $3.8 billion for the second quarter of 2018[(2)].
- Efficiency ratio of 47.61% for the second quarter of 2018.
  - Efficiency ratio excluding adjusting items was 49.28% for the second quarter of 2018[(1)].
- Operating efficiency ratio of 41.70% for the second quarter of 2018.
  - Operating efficiency ratio excluding adjusting items was 43.08% for the second quarter of 2018[(1)].
- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 11.1% at June 30, 2018.
- Period-end loans held for investment decreased $12.1 billion, or 5%, to $236.1 billion.
- Average loans held for investment decreased $9.0 billion, or 4%, to $240.8 billion.
- Period-end total deposits decreased $2.6 billion, or 1%, to $248.2 billion.
- Average total deposits increased $3.5 billion, or 1%, to $248.8 billion.

Note: All comparisons are for the second quarter of 2018 compared with the first quarter of 2018 unless otherwise noted. Regulatory capital metrics and capital ratios as of June 30, 2018 are preliminary and therefore subject to change.

(1) Amounts excluding adjusting items are non-GAAP measures. See Appendix Slide 13 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.

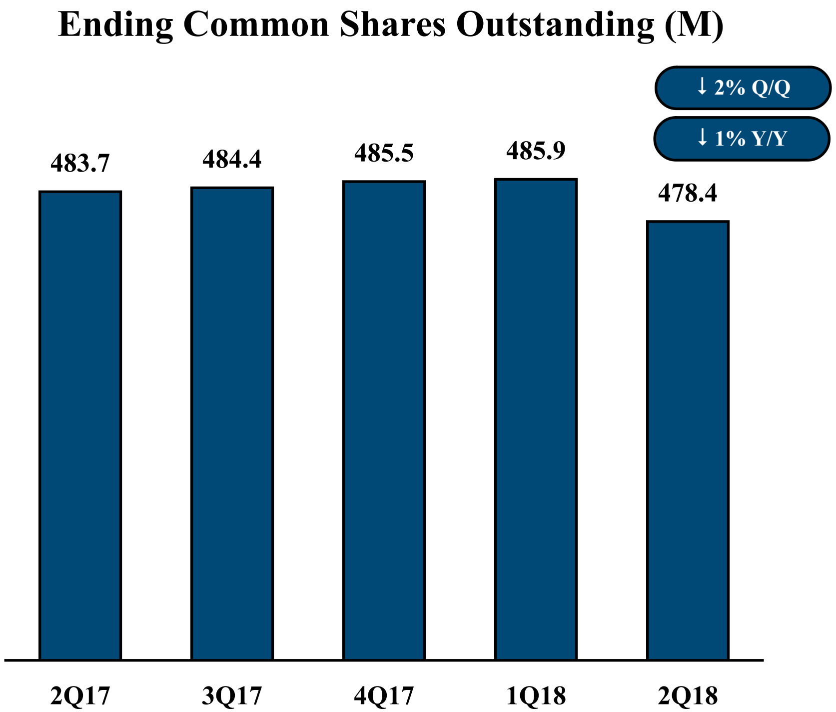
Net Interest Income and Net Interest Margin

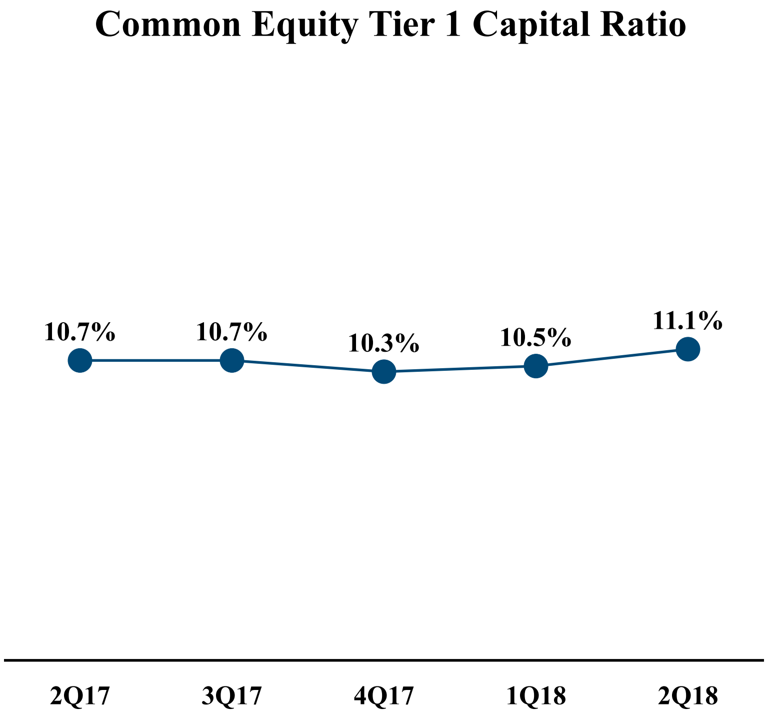


Second Quarter 2018 Highlights

- Net interest margin decreased 27 basis points quarter-over-quarter primarily driven by higher rates on interest-bearing liabilities and product mix changes in our interest-earning assets, partially offset by one additional day to recognize income.

Capital and Liquidity





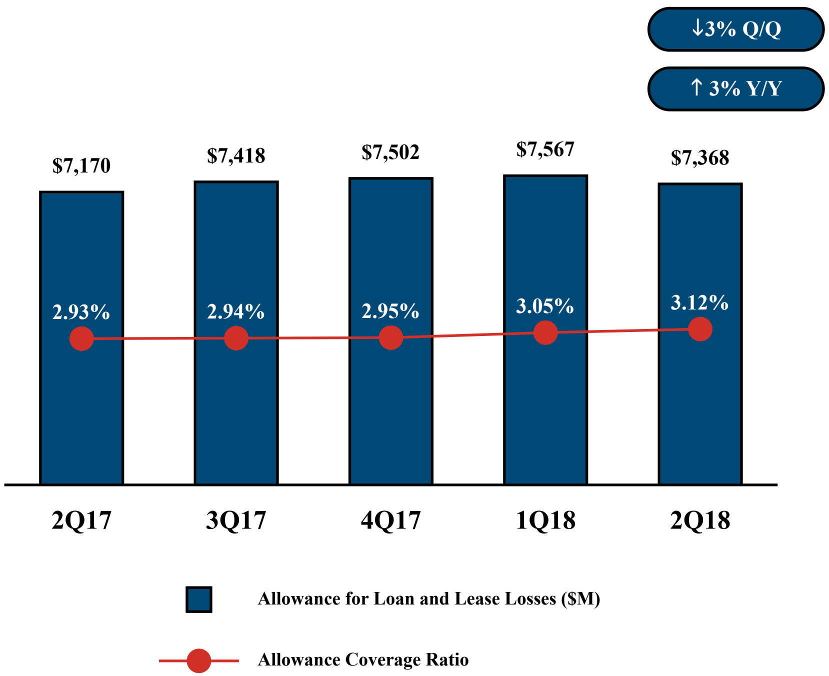
Second Quarter 2018 Highlights

- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 11.1% at June 30, 2018.
- We exceeded the fully phased-in LCR requirement at June 30, 2018.

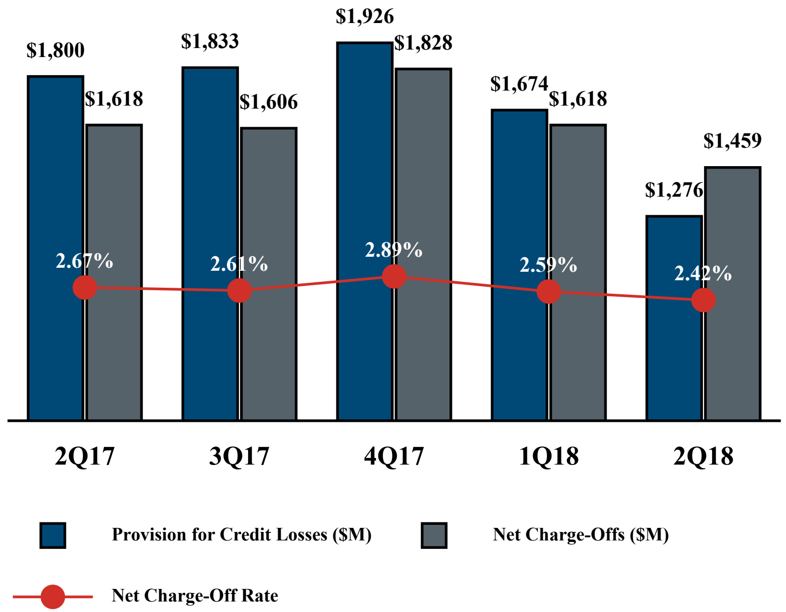
Note: Regulatory capital metrics and capital ratios as of June 30, 2018 are preliminary and therefore subject to change.

Credit Quality

Allowance for Loan and Lease Losses



Provision for Credit Losses and Net Charge-Offs



Second Quarter 2018 Highlights

- Net charge-off rate of 2.42%.
- Allowance for loan and lease losses decreased to $7.4 billion.
- Allowance as a percentage of loans held for investment of 3.12%.

Financial Summary—Business Segment Results

(Dollars in millions)	Three Months Ended June 30, 2018				
	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Net interest income	$ 3,396	$ 1,609	$ 549	$ (3)	$ 5,551
Non-interest income	884	175	209	373	1,641
Total net revenue	4,280	1,784	758	370	7,192
Provision (benefit) for credit losses	1,171	118	34	(47)	1,276
Non-interest expense	1,904	963	409	148	3,424
Income from continuing operations before income taxes	1,205	703	315	269	2,492
Income tax provision	282	164	73	56	575
Income from continuing operations, net of tax	$ 923	$ 539	$ 242	$ 213	$ 1,917

Credit Card

(Dollars in millions, except as noted)	2018 Q2	2018 Q1	2017 Q2	2018 Q2 vs. 2018 Q1	2018 Q2 vs. 2017 Q2
Earnings:					
Net interest income	**$ 3,396**	$ 3,558	$ 3,294	(5)%	3%
Non-interest income	**884**	857	875	3	1
Total net revenue	**4,280**	4,415	4,169	(3)	3
Provision for credit losses	**1,171**	1,456	1,397	(20)	(16)
Non-interest expense	**1,904**	2,039	1,918	(7)	(1)
Pre-tax income	**1,205**	920	854	31	41
Selected performance metrics:					
Period-end loans held for investment	**$ 109,777**	$ 107,576	$ 101,590	2%	8%
Average loans held for investment	**107,893**	109,502	100,043	(1)	8
Total net revenue margin	**15.87%**	16.13%	16.67%	(26)bps	(80)bps
Net charge-off rate	**4.67**	5.03	5.02	(36)	(35)
Purchase volume	**$ 97,392**	$ 86,545	$ 83,079	13%	17%

Second Quarter 2018 Highlights

- Ending loans up $8.2 billion, or 8%, year-over-year; average loans up $7.9 billion, or 8%, year-over-year.
- Purchase volume up 17% year-over-year.
- Revenue up $111 million, or 3%, year-over-year.
- Revenue margin of 15.87%.
- Non-interest expense down $14 million, or 1%, year-over-year.
- Provision for credit losses down $226 million, or 16%, year-over-year.
- Net charge-off rate of 4.67%.

Domestic Card

(Dollars in millions, except as noted)	2018 Q2	2018 Q1	2017 Q2	2018 Q2 vs. 2018 Q1	2018 Q2 vs. 2017 Q2
Earnings:					
Net interest income	**$ 3,108**	$ 3,229	$ 3,011	(4)%	3%
Non-interest income	**818**	774	802	6	2
Total net revenue	**3,926**	4,003	3,813	(2)	3
Provision for credit losses	**1,094**	1,380	1,327	(21)	(18)
Non-interest expense	**1,683**	1,832	1,727	(8)	(3)
Pre-tax income	**1,149**	791	759	45	51
Selected performance metrics:					
Period-end loans held for investment	**$ 100,714**	$ 98,535	$ 92,866	2%	8%
Average loans held for investment	**98,895**	100,450	91,769	(2)	8
Total net revenue margin	**15.88%**	15.94%	16.62%	(6)bps	(74)bps
Net charge-off rate	**4.72**	5.26	5.11	(54)	(39)
30+ day delinquency rate	**3.32**	3.57	3.63	(25)	(31)
Purchase volume	**$ 88,941**	$ 79,194	$ 75,781	12%	17%

Second Quarter 2018 Highlights

- Ending loans up $7.8 billion, or 8%, year-over-year; average loans up $7.1 billion, or 8%, year-over-year.
- Purchase volume up 17% year-over-year.
- Revenue up $113 million, or 3%, year-over-year.
- Revenue margin of 15.88%.
- Non-interest expense down $44 million, or 3%, year-over-year.
- Provision for credit losses down $233 million, or 18%, year-over-year.
- Net charge-off rate of 4.72%.

Consumer Banking

(Dollars in millions, except as noted)	2018 Q2	2018 Q1	2017 Q2	2018 Q2 vs. 2018 Q1	2018 Q2 vs. 2017 Q2
Earnings:					
Net interest income	**$ 1,609**	$ 1,615	$ 1,578	—	2%
Non-interest income	**175**	174	183	1%	(4)
Total net revenue	**1,784**	1,789	1,761	—	1
Provision for credit losses	**118**	233	268	(49)	(56)
Non-interest expense	**963**	1,000	1,059	(4)	(9)
Pre-tax income	**703**	556	434	26	62
Selected performance metrics:					
Period-end loans held for investment	**$ 58,727**	$ 74,674	$ 74,973	(21)%	(22)%
Average loans held for investment	**66,480**	74,997	74,469	(11)	(11)
Auto loan originations	**6,994**	6,707	7,453	4	(6)
Period-end deposits	**194,962**	193,073	186,607	1	4
Average deposits	**193,278**	187,785	186,989	3	3
Average deposits interest rate	**0.88%**	0.80%	0.59%	8bps	29bps
Net charge-off rate	**1.19**	1.19	1.25	—	(6)

Second Quarter 2018 Highlights

- Ending loans down $16.2 billion, or 22%, year-over-year; average loans down $8.0 billion, or 11%, year-over-year.
- Ending deposits up $8.4 billion, or 4%, year-over-year.
- Auto loan originations down $459 million, or 6%, year-over-year.
- Revenue up $23 million, or 1%, year-over-year.
- Non-interest expense down $96 million, or 9%, year-over-year.
- Provision for credit losses down $150 million, or 56%, year-over-year.
- Net charge-off rate of 1.19%.
- Home loan portfolio impacts included in second quarter 2018 results:
  - Total net revenue: $28 million
  - Direct operating expenses: $25 million
  - Average loans held for investment: $8.1 billion
  - No period-end loans held for investment.

Commercial Banking

(Dollars in millions, except as noted)	2018 Q2	2018 Q1	2017 Q2	2018 Q2 vs. 2018 Q1	2018 Q2 vs. 2017 Q2
Earnings:					
Net interest income	**$ 549**	$ 536	$ 569	2%	(4)%
Non-interest income	**209**	187	183	12	14
Total net revenue	**758**	723	752	5	1
Provision (benefit) for credit losses	**34**	(14)	140	**	(76)
Non-interest expense	**409**	403	381	1	7
Pre-tax income	**315**	334	231	(6)	36
Selected performance metrics:					
Period-end loans held for investment	**$ 67,609**	$ 65,953	$ 67,672	3%	—
Average loans held for investment	**66,364**	65,181	67,669	2	(2)%
Period-end deposits	**31,078**	34,449	33,153	(10)	(6)
Average deposits	**32,951**	34,057	34,263	(3)	(4)
Average deposits interest rate	**0.65%**	0.52%	0.36%	13bps	29bps
Net charge-off rate	**(0.04)**	0.11	0.80	(15)	(84)
Risk category as a percentage of period-end loans held for investment:[1]					
Criticized performing	**3.1%**	3.7%	3.9%	(60)bps	(80)bps
Criticized nonperforming	**0.3**	0.5	1.0	(20)	(70)

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

** Not meaningful.

Second Quarter 2018 Highlights

- Ending loans flat year-over-year; average loans down $1.3 billion, or 2%, year-over-year.
- Ending deposits down $2.1 billion, or 6%, year-over-year; average deposits down $1.3 billion, or 4% year-over-year.
- Revenue up $6 million, or 1% year-over-year.
- Non-interest expense up $28 million, or 7%, year-over-year.
- Provision for credit losses down $106 million, or 76%, year-over-year.
- Criticized performing loan rate of 3.1% and criticized nonperforming loan rate of 0.3%.

Appendix

Non-GAAP Measures

(Dollars in millions, except per share data and as noted)	2018 Q2 Reported Results	2018 Q2 Adj.(1)	2018 Q2 Adjusted Results	2018 Q1 Reported Results	2018 Q1 Adj.(1)	2018 Q1 Adjusted Results	Six Months Ended June 30, 2018 Reported Results	Six Months Ended June 30, 2018 Adj.(1)	Six Months Ended June 30, 2018 Adjusted Results
Selected income statement data:									
Net interest income	$ 5,551	$ 26	$ 5,577	$ 5,718	—	$ 5,718	$ 11,269	$ 26	$ 11,295
Non-interest income	1,641	(361)	1,280	1,191	$ 2	1,193	2,832	(359)	2,473
Total net revenue	7,192	(335)	6,857	6,909	2	6,911	14,101	(333)	13,768
Provision for credit losses	1,276	46	1,322	1,674	—	1,674	2,950	46	2,996
Non-interest expense	3,424	(45)	3,379	3,573	(17)	3,556	6,997	(62)	6,935
Income from continuing operations before income taxes	2,492	(336)	2,156	1,662	19	1,681	4,154	(317)	3,837
Income tax provision (benefit)	575	(92)	483	319	4	323	894	(88)	806
Income from continuing operations, net of tax	1,917	(244)	1,673	1,343	15	1,358	3,260	(229)	3,031
Income (loss) from discontinued operations, net of tax	(11)	—	(11)	3	—	3	(8)	—	(8)
Net income	1,906	(244)	1,662	1,346	15	1,361	3,252	(229)	3,023
Dividends and undistributed earnings allocated to participating securities(2)	(12)	2	(10)	(10)	—	(10)	(23)	2	(21)
Preferred stock dividends	(80)	—	(80)	(52)	—	(52)	(132)	—	(132)
Net income available to common stockholders	$ 1,814	$ (242)	$ 1,572	$ 1,284	$ 15	$ 1,299	$ 3,097	$ (227)	$ 2,870
Selected performance metrics:									
Diluted EPS(2)	$ 3.71	$ (0.49)	$ 3.22	$ 2.62	$ 0.03	$ 2.65	$ 6.33	$ (0.47)	$ 5.86
Efficiency ratio	47.61%	167bps	49.28%	51.72%	(27)bps	51.45%	49.62%	75bps	50.37%
Operating efficiency ratio	41.70	138	43.08	45.72	(26)	45.46	43.67	61	44.28

Non-GAAP Measures

(Dollars in millions, except per share data and as noted)	2017 Q2 Reported Results	2017 Q2 Adj.[1]	2017 Q2 Adjusted Results	2017 Q1 Reported Results	2017 Q1 Adj.[1]	2017 Q1 Adjusted Results	Six Months Ended June 30, 2017 Reported Results	Six Months Ended June 30, 2017 Adj.[1]	Six Months Ended June 30, 2017 Adjusted Results
Selected income statement data:									
Net interest income	$ 5,473	—	$ 5,473	$ 5,474	$ 33	$ 5,507	$ 10,947	$ 33	$ 10,980
Non-interest income	1,231	—	1,231	1,061	37	1,098	2,292	37	2,329
Total net revenue	6,704	—	6,704	6,535	70	6,605	13,239	70	13,309
Provision for credit losses	1,800	—	1,800	1,992	—	1,992	3,792	—	3,792
Non-interest expense	3,414	$ (12)	3,402	3,434	(29)	3,405	6,848	(41)	6,807
Income from continuing operations before income taxes	1,490	12	1,502	1,109	99	1,208	2,599	111	2,710
Income tax provision (benefit)	443	4	447	314	(1)	313	757	3	760
Income from continuing operations, net of tax	1,047	8	1,055	795	100	895	1,842	108	1,950
Income (loss) from discontinued operations, net of tax	(11)	—	(11)	15	—	15	4	—	4
Net income	1,036	8	1,044	810	100	910	1,846	108	1,954
Dividends and undistributed earnings allocated to participating securities[2]	(8)	—	(8)	(5)	—	(5)	(13)	—	(13)
Preferred stock dividends	(80)	—	(80)	(53)	—	(53)	(133)	—	(133)
Net income available to common stockholders	$ 948	$ 8	$ 956	$ 752	$ 100	$ 852	$ 1,700	$ 108	$ 1,808
Selected performance metrics:									
Diluted EPS[2]	$ 1.94	$ 0.02	$ 1.96	$ 1.54	$ 0.21	$ 1.75	$ 3.49	$ 0.22	$ 3.71
Efficiency ratio	50.92%	(17)bps	50.75%	52.55%	(100)bps	51.55%	51.73%	(58)bps	51.15%
Operating efficiency ratio	44.44	(18)	44.26	46.49	(93)	45.56	45.45	(55)	44.90

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 and provide an alternate measurement of our performance. 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.

(1) Adjustments for the following periods consist of:

(Dollars in millions)	2018 Q2	2018 Q1	Six Months Ended June 30, 2018	2017 Q2	2017 Q1	Six Months Ended June 30, 2017
Net gain on sale of home loans	**$ (400)**	—	**$ (400)**	—	—	—
Restructuring charges	**15**	$ 19	**34**	—	—	—
U.K. Payment Protection Insurance customer refund reserve ("U.K. PPI Reserve")	**49**	—	**49**	—	$ 99	$ 99
Charges related to the Cabela's acquisition	—	—	—	$ 12	—	12
Total	**(336)**	19	**(317)**	12	99	111
Income tax provision (benefit)	**(92)**	4	**(88)**	4	(1)	3
Net income	**$ (244)**	$ 15	**$ (229)**	$ 8	$ 100	$ 108

(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.