



## **Second Quarter 2014 Results**

**July 17, 2014**

# 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 July 17, 2014, available on its website at [www.capitalone.com](http://www.capitalone.com) under "Investors."

# Second Quarter 2014 Results

## Income Statement

	2014	2014	2013	2013	2013	2014 Q2 vs.	
						2014	2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q2
<i>(Dollars in millions, except per share data and as noted) (unaudited)</i>							
<b>Earnings</b>							
Net interest income	\$ 4,315	\$ 4,350	\$ 4,423	\$ 4,560	\$ 4,553	(1)%	(5)%
Non-interest income	1,153	1,020	1,121	1,091	1,085	13	6
Total net revenue	5,468	5,370	5,544	5,651	5,638	2	(3)
Provision for credit losses	704	735	957	849	762	(4)	(8)
Non-interest expense:							
Marketing	335	325	427	299	330	3	2
Amortization of intangibles	136	143	166	161	167	(5)	(19)
Acquisition-related	18	23	60	37	50	(22)	(64)
Operating expenses	2,490	2,441	2,582	2,612	2,471	2	1
Total non-interest expense	2,979	2,932	3,235	3,109	3,018	2	(1)
Income from continuing operations before income taxes	1,785	1,703	1,352	1,693	1,858	5	(4)
Income tax provision	581	579	477	575	631	—	(8)
Income from continuing operations, net of tax	1,204	1,124	875	1,118	1,227	7	(2)
Income (loss) from discontinued operations, net of tax	(10)	30	(23)	(13)	(119)	**	92
Net income	1,194	1,154	852	1,105	1,108	3	8
Dividends and undistributed earnings allocated to participating securities	(4)	(5)	(4)	(5)	(4)	(20)	—
Preferred stock dividends	(13)	(13)	(13)	(13)	(13)	—	—
Net income available to common stockholders	\$ 1,177	\$ 1,136	\$ 835	\$ 1,087	\$ 1,091	4	8
<b>Diluted earnings per common share:</b>							
Net income from continuing operations	\$ 2.06	\$ 1.91	\$ 1.46	\$ 1.86	\$ 2.05	8	—
Income (loss) from discontinued operations	(0.02)	0.05	(0.03)	(0.02)	(0.20)	**	(90)
Net income per diluted common share	\$ 2.04	\$ 1.96	\$ 1.43	\$ 1.84	\$ 1.85	4	10

## Second Quarter 2014 Highlights

- Q2 2014 net income of \$1.19 billion, or \$2.04 per share; pre-provision earnings before tax of \$2.5 billion
- Q2 2014 return on average tangible common equity of 17.47%
- Lower provision for credit losses – net charge-offs of \$812 million; \$100 million allowance release

\*\* means "Not meaningful"

# Net Interest Margin

## Average Balances, Net Interest Income and Net Interest Margin

<i>(Dollars in millions) (unaudited)</i>	2014 Q2			2014 Q1			2013 Q2		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
<b>Interest-earning assets:</b>									
Loans, including loans held for sale	\$ 195,322	\$ 4,279	8.76 %	\$ 194,020	\$ 4,307	8.88 %	\$ 196,874	\$ 4,596	9.34 %
Investment securities	62,518	409	2.62	62,124	416	2.68	63,907	391	2.45
Cash equivalents and other	5,730	24	1.68	6,515	30	1.84	5,763	23	1.60
Total interest-earning assets	<u>\$ 263,570</u>	<u>\$ 4,712</u>	<u>7.15</u>	<u>\$ 262,659</u>	<u>\$ 4,753</u>	<u>7.24</u>	<u>\$ 266,544</u>	<u>\$ 5,010</u>	<u>7.52</u>
<b>Interest-bearing liabilities:</b>									
Interest-bearing deposits	\$ 182,053	\$ 272	0.60	\$ 184,183	\$ 276	0.60	\$ 189,311	\$ 318	0.67
Securitized debt obligations	10,731	39	1.45	10,418	38	1.46	10,942	45	1.65
Senior and subordinated notes	16,004	78	1.95	14,162	77	2.17	12,692	82	2.58
Other borrowings	8,923	8	0.36	11,398	12	0.42	13,281	12	0.36
Total interest-bearing liabilities	<u>\$ 217,711</u>	<u>\$ 397</u>	<u>0.73</u>	<u>\$ 220,161</u>	<u>\$ 403</u>	<u>0.73</u>	<u>\$ 226,226</u>	<u>\$ 457</u>	<u>0.81</u>
Net interest income/spread		<u>\$ 4,315</u>	<u>6.42</u>		<u>\$ 4,350</u>	<u>6.51</u>		<u>\$ 4,553</u>	<u>6.71</u>
Impact of non-interest bearing funding			<u>0.13</u>			<u>0.11</u>			<u>0.12</u>
Net interest margin			<u>6.55 %</u>			<u>6.62 %</u>			<u>6.83 %</u>

## Second Quarter 2014 Highlights

- 7 bps decrease in Net Interest Margin quarter-over-quarter driven by lower asset yields
- Total average interest-earning assets up modestly versus prior quarter
- Total average interest-bearing liabilities down modestly versus prior quarter

# Capital

- **Common equity Tier 1 capital ratio under Basel III Standardized Approach of 12.7% at June 30, 2014**
- **Common equity Tier 1 capital ratio under Basel III Advanced Approach was above 8%<sup>1</sup> target at June 30, 2014**
- **Reduced net common shares outstanding by 11.1 million shares in Q2 2014 driven by share repurchases**

<sup>1</sup> Estimated based on our current interpretation, expectations and understanding of the Basel III Advanced Approaches capital rules and other capital regulations issued by U.S. regulators and the application of such rules to our businesses as currently conducted. Current and future Basel III Advanced Approaches estimated calculations are necessarily subject to change based on, among other things, further changes to final rules and regulations, model calibration, other implementation guidance, changes in our businesses and certain actions of management, including those affecting the composition of our balance sheet. We believe our estimate of this capital ratio provides useful information to investors and others relative to an expected future regulatory capital standard.

# Credit Card

## Credit Card Performance Metrics

<i>(Dollars in millions) (unaudited)</i>	2014	2014	2013	2013	2013	2014 Q2 vs.	
	Q2	Q1	Q4	Q3	Q2	2014 Q1	2013 Q2
<b>Credit Card</b>							
<b>Earnings:</b>							
Net interest income	\$ 2,461	\$ 2,525	\$ 2,576	\$ 2,757	\$ 2,804	(3) %	(12) %
Non-interest income	839	785	833	834	832	7	1
Total net revenue	3,300	3,310	3,409	3,591	3,636	—	(9)
Provision for credit losses	549	558	751	617	713	(2)	(23)
Non-interest expense	1,719	1,726	1,868	1,904	1,819	—	(5)
Income from continuing operations before taxes	1,032	1,026	790	1,070	1,104	1	(7)
Income tax provision	364	358	274	376	385	2	(5)
Income from continuing operations, net of tax	\$ 668	\$ 668	\$ 516	\$ 694	\$ 719	—	(7)
<b>Selected performance metrics:</b>							
Period-end loans held for investment	\$ 79,018	\$ 75,850	\$ 81,305	\$ 77,967	\$ 78,310	4	1
Average loans held for investment	76,997	77,502	78,267	77,729	77,946	(1)	(1)
Average yield on loans held for investment	14.22 %	14.43 %	14.64 %	15.72 %	15.94 %	(21) bps	(172) bps
Total net revenue margin	17.14	17.08	17.43	18.48	18.66	6	(152)
Net charge-off rate	3.56	4.02	3.98	3.78	4.36	(46)	(80)
30+ day performing delinquency rate	2.89	3.08	3.46	3.51	3.13	(19)	(24)
30+ day delinquency rate	2.97	3.16	3.54	3.60	3.22	(19)	(25)
Nonperforming loan rate	0.10	0.11	0.11	0.12	0.12	(1)	(2)
Card loan premium amortization and other intangible accretion	\$ 31	\$ 37	\$ 39	\$ 45	\$ 57	(16) %	(46) %
PCCR intangible amortization	94	98	102	106	110	(4)	(15)
Purchase volume	56,358	47,434	54,245	50,943	50,788	19	11

# Domestic Card

## Domestic Card Performance Metrics

<i>(Dollars in millions) (unaudited)</i>	2014	2014	2013	2013	2013	2014 Q2 vs.	
	Q2	Q1	Q4	Q3	Q2	2014 Q1	2013 Q2
<b>Domestic Card</b>							
<b>Earnings:</b>							
Net interest income	\$ 2,193	\$ 2,255	\$ 2,303	\$ 2,492	\$ 2,536	(3) %	(14) %
Non-interest income	768	702	747	749	737	9	4
Total net revenue	2,961	2,957	3,050	3,241	3,273	—	(10)
Provision for credit losses	504	486	679	529	647	4	(22)
Non-interest expense	1,513	1,545	1,664	1,713	1,635	(2)	(7)
Income from continuing operations before taxes	944	926	707	999	991	2	(5)
Income tax provision	337	331	252	355	353	2	(5)
Income from continuing operations, net of tax	\$ 607	\$ 595	\$ 455	\$ 644	\$ 638	2	(5)
<b>Selected performance metrics:</b>							
Period-end loans held for investment	\$ 71,165	\$ 68,275	\$ 73,255	\$ 69,936	\$ 70,490	4	1
Average loans held for investment	69,376	69,810	70,368	69,947	69,966	(1)	(1)
Average yield on loans held for investment	13.95 %	14.19 %	14.44 %	15.65 %	15.91 %	(24) bps	(196) bps
Total net revenue margin	17.07	16.94	17.34	18.53	18.71	13	(164)
Net charge-off rate	3.52	4.01	3.89	3.67	4.28	(49)	(76)
30+ day performing delinquency rate	2.83	3.02	3.43	3.46	3.05	(19)	(22)
30+ day delinquency rate	2.83	3.02	3.43	3.46	3.05	(19)	(22)
Purchase volume	\$ 52,653	\$ 44,139	\$ 50,377	\$ 47,420	\$ 47,273	19 %	11 %

## Second Quarter 2014 Highlights

- Ending loans grew quarter-over-quarter and year-over-year; average loans down modestly
- Purchase volume on general purpose credit cards<sup>1</sup> up 16% year-over-year
- Revenue margin for the quarter relatively stable at 17.1%
- Net charge-off rate and delinquency rate improved, aided by expected seasonal patterns

<sup>1</sup> Includes Branded & Co-Branded credit cards

# Consumer Banking

## Consumer Banking Performance Metrics

<i>(Dollars in millions) (unaudited)</i>	2014	2014	2013	2013	2013	2014 Q2 vs.	
	Q2	Q1	Q4	Q3	Q2	2014 Q1	2013 Q2
<b>Consumer Banking</b>							
<b>Earnings:</b>							
Net interest income	\$ 1,431	\$ 1,433	\$ 1,468	\$ 1,481	\$ 1,478	— %	(3) %
Non-interest income	170	150	195	184	189	13	(10)
Total net revenue	1,601	1,583	1,663	1,665	1,667	1	(4)
Provision for credit losses	143	140	212	202	67	2	113
Non-interest expense	938	930	1,018	927	910	1	3
Income from continuing operations before taxes	520	513	433	536	690	1	(25)
Income tax provision	186	183	154	191	246	2	(24)
Income from continuing operations, net of tax	\$ 334	\$ 330	\$ 279	\$ 345	\$ 444	1	(25)
<b>Selected performance metrics:</b>							
Period-end loans held for investment	\$ 71,062	\$ 70,727	\$ 70,762	\$ 71,285	\$ 72,218	—	(2)
Average loans held for investment	70,884	70,663	71,033	71,664	72,930	—	(3)
Average yield on loans held for investment	6.22 %	6.18 %	6.30 %	6.21 %	5.99 %	4 bps	23 bps
Auto loan originations	\$ 5,376	\$ 4,727	\$ 4,322	\$ 4,752	\$ 4,525	14 %	19 %
Period-end deposits	169,153	171,529	167,652	168,437	169,789	(1)	—
Average deposits	169,694	168,676	167,870	169,082	170,733	1	(1)
Average deposit interest rate	0.57 %	0.57 %	0.60 %	0.63 %	0.64 %	— bps	(7) bps
Core deposit intangible amortization	\$ 28	\$ 30	\$ 32	\$ 34	\$ 35	(7) %	(20) %
Net charge-off rate	0.69 %	0.84 %	1.09 %	0.95 %	0.60 %	(15) bps	9 bps
30+ day performing delinquency rate	2.91	2.57	3.20	2.82	2.55	34	36
30+ day delinquency rate	3.49	3.14	3.89	3.46	3.15	35	34

## Second Quarter 2014 Highlights

- Ending loans up quarter-over-quarter, but down year-over-year; Auto loans continue to grow; Home Loans run-off
- Strong growth in Auto originations
- Year-over-year decline in revenue driven by lower deposit returns in persistently low rate environment, lower Home Loans balances, and margin compression in Auto; partially offset by growth in Auto loan balances
- Year-over-year increase in Provision driven by allowance build related to growth in Auto loans; overall charge-off rate remains below 1%



# Commercial Banking

## Commercial Banking Performance Metrics

<i>(Dollars in millions) (unaudited)</i>	2014	2014	2013	2013	2013	2014 Q2 vs.	
	Q2	Q1	Q4	Q3	Q2	2014 Q1	2013 Q2
<b>Commercial Banking</b>							
<b>Earnings:</b>							
Net interest income	\$ 436	\$ 421	\$ 447	\$ 424	\$ 402	4 %	8 %
Non-interest income	109	87	131	87	93	25	17
Total net revenue	545	508	578	511	495	7	10
Provision (benefit) for credit losses	12	40	(6)	31	(14)	(70)	**
Non-interest expense	267	255	281	228	228	5	17
Income from continuing operations before taxes	266	213	303	252	281	25	(5)
Income tax provision	95	76	108	90	100	25	(5)
Income from continuing operations, net of tax	\$ 171	\$ 137	\$ 195	\$ 162	\$ 181	25	(6)
<b>Selected performance metrics:</b>							
Period-end loans held for investment	\$ 48,321	\$ 46,230	\$ 45,011	\$ 42,399	\$ 40,805	5	18
Average loans held for investment	46,991	45,435	43,359	41,576	39,512	3	19
Average yield on loans held for investment	3.50 %	3.47 %	3.92 %	3.87 %	3.84 %	3 bps	(34) bps
Period-end deposits	\$ 31,440	\$ 31,485	\$ 30,567	\$ 30,592	\$ 30,869	— %	2 %
Average deposits	31,238	31,627	31,033	30,685	30,746	(1)	2
Average deposit interest rate	0.24 %	0.25 %	0.25 %	0.27 %	0.26 %	(1) bps	(2) bps
Core deposit intangible amortization	\$ 5	\$ 6	\$ 6	\$ 6	\$ 8	(17) %	(38) %
Net charge-off rate	0.03 %	0.04 %	(0.05) %	0.07 %	0.04 %	(1) bps	(1) bps
Nonperforming loan rate	0.38	0.33	0.33	0.47	0.60	5	(22)
Nonperforming asset rate	0.41	0.36	0.37	0.56	0.62	5	(21)

## Second Quarter 2014 Highlights

- Loan balances increased 5% quarter-over-quarter and 18% year-over-year, driven by growth in specialized C&I and CRE
- Revenues up 10% year-over-year; growth in loan balance partially offset by lower loan yields
- Credit remains strong

**We remain focused on delivering value**

**Sustain Profitability**

**Return Capital**