UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______
Commission File No. 1-13300

CAPITAL ONE FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**54-1719854**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
1680 Capital One Drive, McLean, Virginia	**22102**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 720-1000
(Former name, former address and former fiscal year, if changed since last report)
(Not applicable)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a Shell Company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

As of July 22, 2016, there were 506,076,567 shares of the registrant's Common Stock outstanding.

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PART I—FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

This discussion contains forward-looking statements that are based upon management's current expectations and are subject to significant uncertainties and changes in circumstances. Please review "MD&A—Forward-Looking Statements" for more information on the forward-looking statements in this Quarterly Report on Form 10-Q ("this Report"). Our actual results may differ materially from those included in these forward-looking statements due to a variety of factors including, but not limited to, those described in "Part II—Item 1A. Risk Factors" in this Report and in "Part I—Item 1A. Risk Factors" in our 2015 Annual Report on Form 10-K ("2015 Form 10-K"). Unless otherwise specified, references to notes to our consolidated financial statements refer to the notes to our unaudited consolidated financial statements as of June 30, 2016 included in this Report.

Management monitors a variety of key indicators to evaluate our business results and financial condition. The following MD&A is provided as a supplement to, and should be read in conjunction with, our unaudited consolidated financial statements and related notes in this Report and the more detailed information contained in our 2015 Form 10-K.

INTRODUCTION

We are a diversified financial services holding company with banking and non-banking subsidiaries. Capital One Financial Corporation and its subsidiaries (the "Company") offer a broad array of financial products and services to consumers, small businesses and commercial clients through branches, the internet and other distribution channels. As of June 30, 2016, our principal subsidiaries included:

- Capital One Bank (USA), National Association ("COBNA"), which offers credit and debit card products, other lending products and deposit products; and
- Capital One, National Association ("CONA"), which offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients.

The Company is hereafter collectively referred to as "we," "us" or "our." COBNA and CONA are collectively referred to as the "Banks." Certain business terms used in this document are defined in the "MD&A—Glossary and Acronyms" and should be read in conjunction with the consolidated financial statements included in this Report.

Our consolidated total net revenues are derived primarily from lending to consumer and commercial customers net of funding costs associated with interest on deposits, short-term borrowings and long-term debt. We also earn non-interest income which primarily consists of interchange income net of rewards expenses and service charges and other customer-related fees. Our expenses primarily consist of the provision for credit losses, operating expenses, marketing expenses and income taxes.

Our principal operations are currently organized for management reporting purposes into three major business segments, which are defined based on the products and services provided or the type of customer served: Credit Card, Consumer Banking and Commercial Banking. The operations of acquired businesses have been integrated into our existing business segments. Certain activities that are not part of a segment, such as management of our corporate investment portfolio and asset/liability management by our centralized Corporate Treasury group, are included in the Other category.

- *Credit Card:* Consists of our domestic consumer and small business card lending, national closed-end installment lending and the international card lending businesses in Canada and the United Kingdom ("U.K.").
- *Consumer Banking:* Consists of our branch-based lending and deposit gathering activities for consumers and small businesses, national deposit gathering, auto lending and consumer home loan lending and servicing activities.
- *Commercial Banking:* Consists of our lending, deposit gathering and servicing activities provided to commercial real estate and commercial and industrial customers. Our commercial and industrial customers typically include companies with annual revenues between $10 million and $1 billion.

Recent Acquisitions and Dispositions

We regularly explore and evaluate opportunities to acquire financial services and financial assets, including credit card and other loan portfolios, and enter into strategic partnerships as part of our growth strategy. We also explore opportunities to acquire digital companies and related assets to improve our information technology infrastructure and to deliver on our digital strategy. We also regularly consider the potential disposition of certain of our assets, branches, partnership agreements or lines of businesses. We may issue equity or debt in connection with acquisitions, including public offerings, to fund such acquisitions.

On December 1, 2015, we completed the acquisition of the Healthcare Financial Services business of General Electric Capital Corporation ("HFS acquisition"). During the second quarter of 2016, we finalized purchase accounting for the HFS acquisition, and recognized approximately $9.2 billion in assets, including $8.2 billion of loans. See "Note 1—Summary of Significant Accounting Policies" of this Report and "Note 2—Business Developments" in our 2015 Form 10-K for additional information.

We had no significant acquisitions or dispositions in the first six months of 2016.

SUMMARY OF SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data from our results of operations for the second quarter and first six months of 2016 and 2015 and selected comparative balance sheet data as of June 30, 2016 and December 31, 2015. We also provide selected key metrics we use in evaluating our performance including certain metrics that are computed using non-GAAP measures. We believe these non-GAAP metrics provide useful insight to investors and users of our financial information in assessing the results of the Company.

Table 1: Consolidated Financial Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions, except per share data and as noted)	2016	2015	Change	2016	2015	Change
Income statement						
Net interest income	**$ 5,093**	$ 4,537	12%	**$ 10,149**	$ 9,113	11%
Non-interest income	**1,161**	1,135	2	**2,325**	2,206	5
Total net revenue	**6,254**	5,672	10	**12,474**	11,319	10
Provision for credit losses	**1,592**	1,129	41	**3,119**	2,064	51
Non-interest expense:						
Marketing	**415**	387	7	**843**	762	11
Amortization of intangibles	**95**	111	(14)	**196**	221	(11)
Operating expenses	**2,785**	2,809	(1)	**5,479**	5,373	2
Total non-interest expense	**3,295**	3,307	—	**6,518**	6,356	3
Income from continuing operations before income taxes	**1,367**	1,236	11	**2,837**	2,899	(2)
Income tax provision	**424**	384	10	**876**	913	(4)
Income from continuing operations, net of tax	**943**	852	11	**1,961**	1,986	(1)
Income (loss) from discontinued operations, net of tax	**(1)**	11	**	**(6)**	30	**
Net income	**942**	863	9	**1,955**	2,016	(3)
Dividends and undistributed earnings allocated to participating securities	**(6)**	(4)	50	**(12)**	(10)	20
Preferred stock dividends	**(65)**	(29)	124	**(102)**	(61)	67
Net income available to common stockholders	**$ 871**	$ 830	5	**$ 1,841**	$ 1,945	(5)
Common share statistics						
Basic earnings per common share:						
Net income from continuing operations	**$ 1.70**	$ 1.50	13%	**$ 3.57**	$ 3.49	2%
Income (loss) from discontinued operations	**—**	0.02	**	**(0.01)**	0.06	**
Net income per basic common share	**$ 1.70**	$ 1.52	12	**$ 3.56**	$ 3.55	—
Diluted earnings per common share:						
Net income from continuing operations	**$ 1.69**	$ 1.48	14	**$ 3.53**	$ 3.45	2
Income (loss) from discontinued operations	**—**	0.02	**	**(0.01)**	0.06	**
Net income per diluted common share	**$ 1.69**	$ 1.50	13	**$ 3.52**	$ 3.51	—
Weighted-average common shares outstanding (in millions):						
Basic	**511.7**	545.6	(6)%	**517.6**	548.0	(6)%
Diluted	**516.5**	552.0	(6)	**522.3**	554.7	(6)
Common shares outstanding (period end, in millions)	**505.9**	542.5	(7)	**505.9**	542.5	(7)
Dividends paid per common share	**$ 0.40**	$ 0.40	—	**$ 0.80**	$ 0.70	14
Tangible book value per common share (period end)[1]	**57.84**	52.74	10	**57.84**	52.74	10
Balance sheet (average balances)						
Loans held for investment	**$ 230,379**	$ 206,337	12%	**$ 228,557**	$ 205,768	11%
Interest-earning assets	**302,764**	276,585	9	**301,106**	277,501	9
Total assets	**334,479**	307,206	9	**333,197**	308,295	8
Interest-bearing deposits	**195,641**	183,946	6	**194,883**	183,475	6
Total deposits	**221,146**	209,143	6	**220,163**	208,501	6
Borrowings	**54,359**	41,650	31	**54,060**	43,854	23
Common equity	**45,640**	44,878	2	**45,711**	44,727	2
Total stockholders' equity	**48,934**	47,255	4	**49,007**	46,828	5

(Dollars in millions, except per share data and as noted)	Three Months Ended June 30, 2016	2015	Change	Six Months Ended June 30, 2016	2015	Change
Selected performance metrics						
Purchase volume[2]	**$ 78,019**	$ 68,559	14%	**$ 146,208**	$ 125,942	16%
Total net revenue margin[3]	**8.26%**	8.20%	6bps	**8.29%**	8.16%	13bps
Net interest margin[4]	**6.73**	6.56	17	**6.74**	6.57	17
Return on average assets	**1.13**	1.11	2	**1.18**	1.29	(11)
Return on average tangible assets[5]	**1.18**	1.17	1	**1.24**	1.36	(12)
Return on average common equity[6]	**7.64**	7.30	34	**8.08**	8.56	(48)
Return on average tangible common equity (“TCE”)[7]	**11.61**	11.06	55	**12.28**	13.01	(73)
Equity-to-assets ratio[8]	**14.63**	15.38	(75)	**14.71**	15.19	(48)
Non-interest expense as a percentage of average loans held for investment[9]	**5.72**	6.41	(69)	**5.70**	6.18	(48)
Efficiency ratio[10]	**52.69**	58.30	(561)	**52.25**	56.15	(390)
Effective income tax rate from continuing operations	**31.0**	31.1	(10)	**30.9**	31.5	(60)
Net charge-offs	**$ 1,155**	$ 846	37%	**$ 2,333**	$ 1,727	35%
Net charge-off rate[11]	**2.01%**	1.64%	37bps	**2.04%**	1.68%	36bps

(Dollars in millions, except as noted)	June 30, 2016	December 31, 2015	Change
Balance sheet (period end)			
Loans held for investment	**$ 234,603**	$ 229,851	2%
Interest-earning assets	**307,163**	302,007	2
Total assets	**339,117**	334,048	2
Interest-bearing deposits	**195,635**	191,874	2
Total deposits	**221,059**	217,721	2
Borrowings	**59,181**	59,115	—
Common equity	**44,813**	43,990	2
Total stockholders’ equity	**48,108**	47,284	2
Credit quality metrics (period end)			
Allowance for loan and lease losses	**$ 5,881**	$ 5,130	15%
Allowance as a percentage of loans held for investment (“allowance coverage ratio”)	**2.51%**	2.23%	28bps
30+ day performing delinquency rate	**2.47**	2.69	(22)
30+ day delinquency rate	**2.79**	3.00	(21)
Capital ratios			
Common equity Tier 1 capital	**10.9%**	11.1%	(20)bps
Tier 1 capital	**12.2**	12.4	(20)
Total capital	**14.4**	14.6	(20)
Tier 1 leverage	**10.2**	10.6	(40)
Tangible common equity[12]	**9.0**	8.9	10
Supplementary leverage[13]	**8.9**	9.2	(30)
Other			
Employees (in thousands), period end	**46.1**	45.4	2%

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(1) Tangible book value per common share is a non-GAAP measure calculated based on tangible common equity divided by common shares outstanding. See “MD&A—Table A — Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for additional information on non-GAAP measures.

(2) Includes credit card purchase transactions, net of returns, for the period for both loans classified as held for investment and loans classified as held for sale. Excludes cash advance and balance transfer transactions.

(3) Calculated based on annualized total net revenue for the period divided by average interest-earning assets for the period.

(4) Calculated based on annualized net interest income for the period divided by average interest-earning assets for the period.

(5) Return on average tangible assets is a non-GAAP measure calculated based on annualized income from continuing operations, net of tax, for the period divided by average tangible assets for the period. See “MD&A—Table A—Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for additional information on non-GAAP measures.

(6) Calculated based on the annualized sum of (i) income from continuing operations, net of tax; (ii) less dividends and undistributed earnings allocated to participating securities; (iii) less preferred stock dividends, for the period, divided by average common equity. Our calculation of return on average common equity may not be comparable to similarly titled measures reported by other companies.

(7) Return on average tangible common equity is a non-GAAP measure calculated based on the annualized sum of (i) income from continuing operations, net of tax; (ii) less dividends and undistributed earnings allocated to participating securities; (iii) less preferred stock dividends, for the period, divided by average tangible common equity (“TCE”). Our calculation of return on average TCE may not be comparable to similarly titled measures reported by other companies. See “MD&A—Table A—Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for additional information on non-GAAP measures.

(8) Calculated based on average stockholders’ equity for the period divided by average total assets for the period.

(9) Calculated based on annualized non-interest expense for the period divided by average loans held for investment for the period.

(10) Calculated based on non-interest expense for the period divided by total net revenue for the period.

(11) Calculated based on annualized net charge-offs for the period divided by average loans held for investment for the period.

(12) Tangible common equity ratio is a non-GAAP measure calculated based on TCE divided by tangible assets. See “MD&A—Table A—Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for the calculation of this measure and reconciliation to the comparative U.S. GAAP measure.

(13) Supplementary leverage ratio is a regulatory capital measure calculated based on Tier 1 capital under the Basel III Standardized Approach divided by total leverage exposure. See “MD&A—Capital Management” for additional information.

** Change is not meaningful.

EXECUTIVE SUMMARY AND BUSINESS OUTLOOK

We reported net income of $942 million ($1.69 per diluted common share) on total net revenue of $6.3 billion and net income of $2.0 billion ($3.52 per diluted common share) on total net revenue of $12.5 billion for the second quarter and first six months of 2016, respectively. In comparison, we reported net income of $863 million ($1.50 per diluted common share) on total net revenue of $5.7 billion and net income of $2.0 billion ($3.51 per diluted common share) on total net revenue of $11.3 billion for the second quarter and first six months of 2015, respectively.

Our common equity Tier 1 capital ratio as calculated under the Basel III Standardized Approach including transition provisions was 10.9% and 11.1% as of June 30, 2016 and December 31, 2015, respectively. See "MD&A—Capital Management" below for additional information.

On March 11, 2015, we announced that our Board of Directors authorized the repurchase of up to $3.125 billion of shares of our common stock ("2015 Stock Repurchase Program"). On February 17, 2016, we announced that our Board of Directors authorized the repurchase of up to an additional $300 million of shares of common stock through the end of the second quarter of 2016 under the 2015 Stock Repurchase Program. We completed the 2015 Stock Repurchase Program in the second quarter of 2016. Additionally, on June 29, 2016, we announced that our Board of Directors authorized the repurchase of up to $2.5 billion of shares of our common stock ("2016 Stock Repurchase Program") from the third quarter of 2016 through the end of the second quarter of 2017. See "MD&A—Capital Management" below for additional information.

Below are additional highlights of our performance in the second quarter and first six months of 2016. These highlights are generally based on a comparison between the results of the second quarter and first six months of 2016 and 2015, except as otherwise noted. The changes in our financial condition and credit performance are generally based on our financial condition and credit performance as of June 30, 2016 compared to our financial condition and credit performance as of December 31, 2015. We provide a more detailed discussion of our financial performance in the sections following this "Executive Summary and Business Outlook."

Total Company Performance

- *Earnings:* Our net income increased by $79 million to $942 million in the second quarter of 2016, compared to the second quarter of 2015, and decreased by $61 million to $2.0 billion in the first six months of 2016, compared to the first six months of 2015. The increase in net income in the second quarter of 2016 was primarily due to (i) higher interest income due to growth in our credit card and commercial loan portfolios, partially offset by the planned run-off of our acquired home loan portfolio; and (ii) higher non-interest income primarily attributable to higher net interchange fees driven by higher purchase volume, partially offset by lower service charges and other customer-related fees primarily due to the exit of our legacy payment protection products in our Domestic Card business during the first quarter of 2016. These increases were partially offset by a higher provision for credit losses in the second quarter of 2016 compared to the second quarter of 2015 due to higher charge-offs and a larger allowance build in our credit card and auto loan portfolios due to continued loan growth and portfolio seasoning, as well as higher charge-offs in our commercial loan portfolio as a result of continued adverse industry conditions impacting our oil and gas portfolio. The decrease in net income in the first six months of 2016 was primarily due to (i) an increase in the provision for credit losses in the first six months of 2016 compared to the first six months of 2015 due to higher charge-offs and a larger allowance build in our credit card and auto loan portfolios due to continued loan growth and portfolio seasoning, as well as a larger allowance build and higher charge-offs in our commercial loan portfolio as a result of continued adverse industry conditions impacting our oil and gas and taxi medallion lending portfolios; and (ii) higher non-interest expense primarily due to higher marketing and operating expenses associated with loan growth and continued investments in technology and infrastructure. These decreases were partially offset by (i) higher interest income due to growth in our credit card and commercial loan portfolios; and (ii) higher non-interest income primarily attributable to higher net interchange fees driven by higher purchase volume, partially offset by lower service charges and other customer-related fees primarily due to the exit of our legacy payment protection products in our Domestic Card business during the first quarter of 2016.

- *Loans Held for Investment:* Loans held for investment increased by $4.8 billion to $234.6 billion as of June 30, 2016 from December 31, 2015 primarily driven by growth in our auto, commercial and credit card loan portfolios, partially offset by the planned run-off of our acquired home loan portfolio and seasonal paydowns in our credit card loan portfolio. Average loans held for investment increased by $24.0 billion to $230.4 billion in the second quarter of 2016 compared to the second quarter of 2015, and increased by $22.8 billion to $228.6 billion in the first six months of 2016 compared to the first six months of 2015, primarily driven by continued growth in our credit card, auto and commercial loan portfolios, including loans acquired from the HFS acquisition, partially offset by the planned run-off of our acquired home loan portfolio.

- *Net Charge-off and Delinquency Metrics:* Our net charge-off rate increased by 37 basis points to 2.01% in the second quarter of 2016 compared to the second quarter of 2015, and increased by 36 basis points to 2.04% in the first six months of 2016 compared to the first six months of 2015, primarily due to growth and seasoning of recent credit card loan originations and rising losses in our oil and gas and taxi medallion lending portfolios within our Commercial Banking business. Our 30+ day delinquency rate decreased by 21 basis points to 2.79% as of June 30, 2016 from December 31, 2015 primarily due to seasonally lower delinquency inventories in our domestic card and auto loan portfolios. We provide additional information on our credit quality metrics below under "MD&A—Business Segment Financial Performance" and "MD&A —Credit Risk Profile."

- *Allowance for Loan and Lease Losses:* Our allowance for loan and lease losses increased by $751 million to $5.9 billion as of June 30, 2016 from December 31, 2015. The increase in the allowance for loan and lease losses was primarily driven by continued domestic card and auto loan growth and the effects of growth leading to an increasing overall loss rate, and continued adverse industry conditions impacting our oil and gas and taxi medallion lending portfolios in our Commercial Banking business. These factors also contributed to a higher allowance coverage ratio, which increased by 28 basis points to 2.51% as of June 30, 2016 from December 31, 2015.

Business Segment Financial Performance

Table 2 summarizes our business segment results, which we report based on revenue and income from continuing operations, net of tax, for the second quarter and first six months of 2016 and 2015. We provide information on the allocation methodologies used to derive our business segment results in "Note 20—Business Segments" in our 2015 Form 10-K. We also provide a reconciliation of our total business segment results to our consolidated generally accepted accounting principles in the United States of America ("U.S. GAAP") results in "Note 13—Business Segments" of this Report.

Table 2: Business Segment Results

	Three Months Ended June 30,							
	2016				2015			
	Total Net Revenue (Loss)[(1)]		Net Income (Loss)[(2)]		Total Net Revenue (Loss)[(1)]		Net Income (Loss)[(2)]	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Credit Card	**$ 3,904**	**62%**	**$ 484**	**51%**	$ 3,478	61%	$ 463	55%
Consumer Banking	**1,614**	**26**	**257**	**27**	1,640	29	291	34
Commercial Banking[(3)]	**688**	**11**	**138**	**15**	589	11	172	20
Other[(4)]	**48**	**1**	**64**	**7**	(35)	(1)	(74)	(9)
Total from continuing operations	**$ 6,254**	**100%**	**$ 943**	**100%**	$ 5,672	100%	$ 852	100%

	Six Months Ended June 30,							
	2016				2015			
	Total Net Revenue (Loss)[(1)]		Net Income (Loss)[(2)]		Total Net Revenue (Loss)[(1)]		Net Income (Loss)[(2)]	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Credit Card	**$ 7,784**	**62%**	**$ 1,093**	**56%**	$ 6,960	61%	$ 1,131	57%
Consumer Banking	**3,225**	**26**	**506**	**26**	3,232	29	557	28
Commercial Banking[(3)]	**1,343**	**11**	**205**	**10**	1,164	10	327	16
Other[(4)]	**122**	**1**	**157**	**8**	(37)	—	(29)	(1)
Total from continuing operations	**$ 12,474**	**100%**	**$ 1,961**	**100%**	$ 11,319	100%	$ 1,986	100%

(1) Total net revenue (loss) consists of net interest income and non-interest income.

(2) Net income (loss) for our business segments and the Other category is based on income (loss) from continuing operations, net of tax.

(3) Some of our tax-related commercial investments generate tax-exempt income or tax credits. Accordingly, we make certain reclassifications within our Commercial Banking business results to present revenues and yields on a taxable-equivalent basis, calculated assuming an effective tax rate approximately equal to our federal statutory tax rate of 35% with offsetting reclassifications to the Other category.

(4) Includes the residual impact of the allocation of our centralized Corporate Treasury group activities, unallocated corporate expenses that do not directly support the operations of the business segments and other items as described in "Note 20—Business Segments" in our 2015 Form 10-K.

Credit Card: Our Credit Card business generated net income from continuing operations of $484 million and $1.1 billion in the second quarter and first six months of 2016, respectively, compared to net income from continuing operations of $463 million and $1.1 billion in the second quarter and first six months of 2015, respectively. The increase in net income in the second quarter of 2016 was primarily attributable to (i) higher net interest income primarily driven by loan growth; and (ii) higher non-interest income attributable to an increase in net interchange fees driven by higher purchase volume, partially offset by a decline in service charges and other customer-related fees primarily due to the exit of our legacy payment protection products in our Domestic Card business during the first quarter of 2016. These increases were partially offset by (i) higher provision for credit losses driven by higher charge-offs and a larger allowance build, both due to continued loan growth and portfolio seasoning; and (ii) higher non-interest expense due to higher operating and marketing expenses associated with loan growth as well as continuing digital investments. Net income in the first six months of 2016 was substantially flat as a result of (i) higher provision for credit losses driven by higher charge-offs and a larger allowance build, both due to continued loan growth and portfolio seasoning; and (ii) higher non-interest expense due to higher operating and marketing expenses associated with loan growth as well as continuing digital investments; offset by (i) higher net interest income primarily driven by loan growth; and (ii) higher non-interest income attributable to an increase in net interchange fees driven by higher purchase volume, partially offset by a decline in service charges and other customer-related fees primarily due to the exit of our legacy payment protection products in our Domestic Card business during the first quarter of 2016. Period-end loans held for investment increased by $779 million to $96.9 billion as of June 30, 2016 from December 31, 2015, primarily due to continued loan growth in our Domestic Card business, net of expected seasonal paydowns.

Consumer Banking: Our Consumer Banking business generated net income from continuing operations of $257 million and $506 million in the second quarter and first six months of 2016, respectively, compared to net income from continuing operations of $291 million and $557 million in the second quarter and first six months of 2015, respectively. The decreases in net income were primarily attributable to (i) higher provision for credit losses primarily driven by higher charge-offs in our auto loan portfolio due to continued loan growth, portfolio seasoning and our expectation that used car auction prices will decline from current levels; (ii) higher non-interest expense largely driven by increased marketing expenses in our retail banking business and higher operating expenses driven by growth in our auto loan portfolio; and (iii) lower revenue primarily attributable to the planned run-off of our acquired home loan portfolio. Period-end loans held for investment increased by $1.0 billion to $71.4 billion as of June 30, 2016 from December 31, 2015, driven by growth in our auto loan portfolio, partially offset by the planned run-off of our acquired home loan portfolio.

Commercial Banking: Our Commercial Banking business generated net income from continuing operations of $138 million and $205 million in the second quarter and first six months of 2016, respectively, compared to net income from continuing operations of $172 million and $327 million in the second quarter and first six months of 2015, respectively. The decreases in net income were primarily attributable to (i) higher provision for credit losses due to higher charge-offs as a result of continued adverse industry conditions impacting our oil and gas portfolio, as well as a larger allowance build in the first six months of 2016 compared to the first six months of 2015 as a result of continued adverse industry conditions impacting our oil and gas and taxi medallion lending portfolios; and (ii) higher non-interest expense largely driven by higher operating expenses due to costs associated with the HFS acquisition and continued growth in our Commercial Banking business. These expenses were partially offset by higher net interest income primarily driven by loan growth, including loans acquired in the HFS acquisition. Period-end loans held for investment increased by $2.9 billion to $66.2 billion as of June 30, 2016 from December 31, 2015, driven by growth across our commercial loan portfolios.

Business Outlook

We discuss below our current expectations regarding our total company performance and the performance of each of our business segments over the near-term based on market conditions, the regulatory environment and our business strategies as of the time we filed this Report. The statements contained in this section are based on our current expectations regarding our outlook for our financial results and business strategies. Our expectations take into account, and should be read in conjunction with, our expectations regarding economic trends and analysis of our business as discussed in "Part I—Item 1. Business" and "MD&A" in our 2015 Form 10-K. Certain statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those in our forward-looking statements. Except as otherwise disclosed, forward-looking statements do not reflect (i) any change in current dividend or repurchase strategies; (ii) the effect of any acquisitions, divestitures or similar transactions that have not been previously disclosed; or (iii) any changes in laws, regulations or regulatory interpretations, in each case after the date as of which such statements are made. See "MD&A—Forward-Looking Statements" in this Report for more information on the forward-looking statements included in this Report and "Part I—Item 1A. Risk Factors" in our 2015 Form 10-K for factors that could materially influence our results.

Total Company Expectations

We believe we are positioned to deliver attractive shareholder returns over the long term, driven by growth and sustainable returns at the higher end of banks, as well as significant capital distribution, subject to regulatory approval.

Changing customer needs and preferences in our retail deposit businesses are driving changes to the function, format and number of our branches. Like all banks, we have been optimizing the format and number of our branches to better meet our evolving customer needs and expect to accelerate these efforts in 2016. Year-to-date, we have recognized approximately $45 million of the $160 million in expected costs for 2016. These costs appear in the "Other" category rather than in the Consumer Banking business results.

In addition to these expected bank optimization costs, we also expect the net impact of Federal Deposit Insurance Corporation ("FDIC") surcharges and premium changes to add to quarterly operating expenses beginning in the second half of 2016. Including the higher expenses associated with these two items, we still expect some improvement in our full-year 2016 efficiency ratio relative to our full-year 2015 efficiency ratio, with continuing improvement in 2017, excluding adjusting items.

We believe our actions have created a well-positioned balance sheet with strong capital and liquidity. Pursuant to our approved 2016 capital plan, our board has authorized repurchases of up to $2.5 billion of common stock through the end of the second quarter of 2017. As we completed the 2015 Stock Repurchase Program, we reduced our net share count by 8.6 million shares in the second quarter of 2016. Additionally, on June 29, 2016, we announced the 2016 Stock Repurchase Program. The timing and exact amount of any common stock repurchases will depend on various factors, including market conditions, opportunities for growth, utilizing Rule 10b5-1 programs, and may be suspended at any time. See "MD&A—Capital Management—Dividend Policy and Stock Purchases" for more information.

Business Segment Expectations

Credit Card: In our Domestic Card business, we expect the full-year 2016 charge-off rate to be around four percent, with quarterly seasonal variability. Based on current information and assuming relative stability in consumer behavior, the domestic economy and competitive conditions, we expect full-year 2017 charge-off rate in the low four percent range, with quarterly seasonal variability. Loan growth coupled with our expectations for a rising charge-off rate drove an allowance build in the current quarter, and we expect these same factors to drive allowance additions going forward.

Consumer Banking: In our Consumer Banking business, persistently low interest rates continue to pressure returns in our deposit businesses. We expect the planned run-off in our acquired home loan portfolio, as well as revenue margin compression and gradually rising charge-offs in our auto business, to have a negative effect on Consumer Banking revenues, efficiency ratio and net income in 2016, even as we continue to tightly manage costs.

Commercial Banking: While competition continues to put pressure on loan terms and pricing in our Commercial Banking business, we continue to see good growth opportunities in select specialty industry verticals. Credit pressures continue to be focused in our oil and gas and taxi medallion lending portfolios.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with U.S. GAAP requires management to make a number of judgments, estimates and assumptions that affect the amount of assets, liabilities, income and expenses on the consolidated financial statements. Understanding our accounting policies and the extent to which we use management judgment and estimates in applying these policies is integral to understanding our financial statements. We provide a summary of our significant accounting policies under “Note 1—Summary of Significant Accounting Policies” in our 2015 Form 10-K.

We have identified the following accounting policies as critical because they require significant judgments and assumptions about highly complex and inherently uncertain matters and the use of reasonably different estimates and assumptions could have a material impact on our results of operations or financial condition. These critical accounting policies govern:

- Loan loss reserves
- Asset impairment
- Fair value of financial instruments
- Representation and warranty reserves
- Customer rewards reserves

We evaluate our critical accounting estimates and judgments on an ongoing basis and update them, as necessary, based on changing conditions. Management has discussed our critical accounting policies and estimates with the Audit Committee of the Board of Directors. There have been no changes to our critical accounting policies and estimates since the 2015 Form 10-K.

We provide additional information on our critical accounting policies and estimates under “MD&A—Critical Accounting Policies and Estimates” in our 2015 Form 10-K.

ACCOUNTING CHANGES AND DEVELOPMENTS

See “Note 1—Summary of Significant Accounting Policies” for information on accounting standards adopted in 2016, as well as recently issued accounting standards not yet required to be adopted and the expected impact of these changes in accounting standards.

CONSOLIDATED RESULTS OF OPERATIONS

The section below provides a comparative discussion of our consolidated financial performance for the second quarter and first six months of 2016 and 2015. Following this section, we provide a discussion of our business segment results. You should read this section together with our “MD&A—Executive Summary and Business Outlook,” where we discuss trends and other factors that we expect will affect our future results of operations.

Net Interest Income

Net interest income represents the difference between the interest income, including certain fees, earned on our interest-earning assets and the interest expense on our interest-bearing liabilities. Interest-earning assets include loans, investment securities and other interest-earning assets and interest-bearing liabilities include interest-bearing deposits, securitized debt obligations, senior and subordinated notes, and other borrowings. Generally, we include in interest income any past due fees on loans that we deem collectible. Our net interest margin, based on our consolidated results, represents the difference between the yield on our interest-earning assets and the cost of our interest-bearing liabilities, including the notional impact of non-interest-bearing funding. We expect net interest income and our net interest margin to fluctuate based on changes in interest rates and changes in the amount and composition of our interest-earning assets and interest-bearing liabilities.

Table 3 below presents, for each major category of our interest-earning assets and interest-bearing liabilities, the average outstanding balances, interest income earned, interest expense incurred, average yield and rate for the second quarter and first six months of 2016 and 2015.

Table 3: Average Balances, Net Interest Income and Net Interest Margin

	Three Months Ended June 30,					
	2016			2015		
(Dollars in millions)	Average Balance	Interest Income/ Expense[(1)(2)]	Average Yield/ Rate[(2)]	Average Balance	Interest Income/ Expense[(1)(2)]	Average Yield/ Rate[(2)]
Assets:						
Interest-earning assets:						
Loans:						
Credit card:						
Domestic credit card	**$ 85,974**	**$ 3,095**	**14.40%**	$ 76,088	$ 2,648	13.92%
International credit card	**8,400**	**325**	**15.48**	7,977	285	14.29
Total credit card	**94,374**	**3,420**	**14.50**	84,065	2,933	13.96
Consumer banking	**71,170**	**1,116**	**6.27**	71,618	1,122	6.27
Commercial banking[(3)]	**65,872**	**567**	**3.44**	51,549	419	3.25
Other	**80**	**45**	**225.00**	103	57	221.36
Total loans, including loans held for sale	**231,496**	**5,148**	**8.90**	207,335	4,531	8.74
Investment securities	**65,754**	**405**	**2.46**	63,771	382	2.40
Cash equivalents and other interest-earning assets	**5,514**	**18**	**1.31**	5,479	24	1.75
Total interest-earning assets	**302,764**	**5,571**	**7.36**	276,585	4,937	7.14
Cash and due from banks	**3,129**			2,839		
Allowance for loan and lease losses	**(5,425)**			(4,412)		
Premises and equipment, net	**3,645**			3,714		
Other assets	**30,366**			28,480		
Total assets	**$ 334,479**			$ 307,206		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Deposits	**$ 195,641**	**$ 292**	**0.60**	$ 183,946	$ 272	0.59
Securitized debt obligations	**15,226**	**47**	**1.23**	13,219	36	1.09
Senior and subordinated notes	**21,717**	**111**	**2.04**	20,336	80	1.57
Other borrowings and liabilities	**18,255**	**28**	**0.61**	8,857	12	0.54
Total interest-bearing liabilities	**250,839**	**478**	**0.76**	226,358	400	0.71
Non-interest-bearing deposits	**25,505**			25,197		
Other liabilities	**9,201**			8,396		
Total liabilities	**285,545**			259,951		
Stockholders' equity	**48,934**			47,255		
Total liabilities and stockholders' equity	**$ 334,479**			$ 307,206		
Net interest income/spread		**$ 5,093**	**6.60**		$ 4,537	6.43
Impact of non-interest-bearing funding			**0.13**			0.13
Net interest margin			**6.73%**			6.56%

(Dollars in millions)	Six Months Ended June 30, 2016 Average Balance	2016 Interest Income/ Expense(1)(2)	2016 Average Yield/ Rate(2)	2015 Average Balance	2015 Interest Income/ Expense(1)(2)	2015 Average Yield/ Rate(2)
Assets:						
Interest-earning assets:						
Loans:						
Credit card:						
Domestic credit card	**$ 85,646**	**$ 6,166**	**14.40%**	$ 75,484	$ 5,308	14.06%
International credit card	**8,120**	**647**	**15.94**	7,895	576	14.59
Total credit card	**93,766**	**6,813**	**14.53**	83,379	5,884	14.11
Consumer banking	**70,805**	**2,204**	**6.23**	71,607	2,241	6.26
Commercial banking[3]	**64,878**	**1,107**	**3.41**	51,505	834	3.24
Other	**85**	**109**	**256.47**	107	112	209.35
Total loans, including loans held for sale	**229,534**	**10,233**	**8.92**	206,598	9,071	8.78
Investment securities	**65,455**	**820**	**2.51**	63,477	788	2.48
Cash equivalents and other interest-earning assets	**6,117**	**35**	**1.14**	7,426	52	1.40
Total interest-earning assets	**301,106**	**11,088**	**7.36**	277,501	9,911	7.14
Cash and due from banks	**3,244**			2,965		
Allowance for loan and lease losses	**(5,278)**			(4,391)		
Premises and equipment, net	**3,643**			3,708		
Other assets	**30,482**			28,512		
Total assets	**$ 333,197**			$ 308,295		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Deposits	**$ 194,883**	**$ 575**	**0.59**	$ 183,475	$ 543	0.59
Securitized debt obligations	**15,293**	**95**	**1.24**	12,396	69	1.11
Senior and subordinated notes	**21,855**	**217**	**1.99**	20,465	159	1.55
Other borrowings and liabilities	**17,716**	**52**	**0.59**	11,771	27	0.46
Total interest-bearing liabilities	**249,747**	**939**	**0.75**	228,107	798	0.70
Non-interest-bearing deposits	**25,280**			25,026		
Other liabilities	**9,163**			8,334		
Total liabilities	**284,190**			261,467		
Stockholders' equity	**49,007**			46,828		
Total liabilities and stockholders' equity	**$ 333,197**			$ 308,295		
Net interest income/spread		**$ 10,149**	**6.61**		$ 9,113	6.44
Impact of non-interest-bearing funding			**0.13**			0.13
Net interest margin			**6.74%**			6.57%

(1) Past due fees included in interest income totaled approximately $354 million and $706 million in the second quarter and first six months of 2016, respectively, and $344 million and $697 million in the second quarter and first six months of 2015, respectively.

(2) Interest income and interest expense and the calculation of average yields on interest-earning assets and average rates on interest-bearing liabilities include the impact of hedge accounting.

(3) Some of our tax-related commercial investments generate tax-exempt income or tax credits. Accordingly, we make certain reclassifications within our Commercial Banking business results to present revenues and yields on a taxable-equivalent basis, calculated assuming an effective tax rate approximately equal to our federal statutory rate of 35% with offsetting reclassifications to the Other category.

Net interest income increased by $556 million to $5.1 billion in the second quarter of 2016 compared to the second quarter of 2015, and increased by $1.0 billion to $10.1 billion in the first six months of 2016 compared to the first six months of 2015 primarily driven by growth in our credit card and commercial loan portfolios and an additional day in the first six months of 2016. Net interest margin increased by 17 basis points to 6.73% and 6.74% in the second quarter of 2016 and the first six months of 2016, respectively, primarily driven by continued growth in our credit card loan portfolio, the planned run-off of our acquired home loan portfolio in our Consumer Banking business and an additional day in the first six months of 2016, partially offset by margin compression in our auto loan portfolio.

Table 4 displays the change in our net interest income between periods and the extent to which the variance is attributable to (i) changes in the volume of our interest-earning assets and interest-bearing liabilities; or (ii) changes in the interest rates related to these assets and liabilities.

Table 4: Rate/Volume Analysis of Net Interest Income[(1)]

	Three Months Ended June 30, 2016 vs. 2015			Six Months Ended June 30, 2016 vs. 2015		
(Dollars in millions)	Total Variance	Volume	Rate	Total Variance	Volume	Rate
Interest income:						
Loans:						
Credit card	$ 487	$ 370	$ 117	$ 929	$ 750	$ 179
Consumer banking	(6)	(7)	1	(37)	(25)	(12)
Commercial banking[(2)]	148	122	26	273	226	47
Other	(12)	(13)	1	(3)	(23)	20
Total loans, including loans held for sale	617	472	145	1,162	928	234
Investment securities	23	12	11	32	24	8
Cash equivalents and other interest-earning assets	(6)	—	(6)	(17)	(8)	(9)
Total interest income	634	484	150	1,177	944	233
Interest expense:						
Deposits	20	17	3	32	34	(2)
Securitized debt obligations	11	6	5	26	17	9
Senior and subordinated notes	31	6	25	58	11	47
Other borrowings and liabilities	16	14	2	25	16	9
Total interest expense	78	43	35	141	78	63
Net interest income	$ 556	$ 441	$ 115	$ 1,036	$ 866	$ 170

(1) We calculate the change in interest income and interest expense separately for each item. The portion of interest income or interest expense attributable to both volume and rate is allocated proportionately when the calculation results in a positive value. When the portion of interest income or interest expense attributable to both volume and rate results in a negative value, the total amount is allocated to volume or rate, depending on which amount is positive.

(2) Some of our tax-related commercial investments generate tax-exempt income or tax credits. Accordingly, we make certain reclassifications within our Commercial Banking business results to present revenues and yields on a taxable-equivalent basis, calculated assuming an effective tax rate approximately equal to our federal statutory rate of 35% with offsetting reclassifications to the Other category.

Non-Interest Income

Non-interest income primarily consists of interchange fees net of rewards expense, service charges and other customer-related fees and other non-interest income. Other non-interest income includes the pre-tax net benefit (provision) for mortgage representation and warranty losses related to continuing operations, gains and losses from the sale of investment securities, gains and losses on derivatives not accounted for in hedge accounting relationships and hedge ineffectiveness.

Table 5 displays the components of non-interest income for the second quarter and first six months of 2016 and 2015.

Table 5: Non-Interest Income

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Interchange fees, net	**$ 616**	$ 567	**$ 1,212**	$ 1,063
Service charges and other customer-related fees	**371**	429	**775**	866
Net other-than-temporary impairment recognized in earnings	**(2)**	(7)	**(10)**	(22)
Other non-interest income:				
Benefit (provision) for mortgage representation and warranty losses[1]	**1**	9	**2**	8
Net gains (losses) from the sale of investment securities	**2**	(1)	**2**	1
Net fair value gains (losses) on free-standing derivatives	**22**	12	**52**	22
Other	**151**	126	**292**	268
Total other non-interest income	**176**	146	**348**	299
Total non-interest income	**$ 1,161**	$ 1,135	**$ 2,325**	$ 2,206

(1) Represents the benefit (provision) for mortgage representation and warranty losses recorded in continuing operations. For the total impact to the net benefit (provision) for mortgage representation and warranty losses, including the portion recognized in our consolidated statements of income as a component of discontinued operations, see “MD&A—Consolidated Balance Sheets Analysis—Table 14—Changes in Representation and Warranty Reserve.”

Non-interest income increased by $26 million to $1.2 billion in the second quarter of 2016 compared to the second quarter of 2015, and increased by $119 million to $2.3 billion in the first six months of 2016 compared to the first six months of 2015, primarily driven by (i) increases in interchange fees driven by higher purchase volume in our Credit Card business; (ii) a customer rewards liability release in the first quarter of 2016 within the retail banking business related to the discontinuation of certain debit card and deposit products; and (iii) a gain recorded in the second quarter of 2016 related to the exchange of our ownership interest in Visa Europe with Visa Inc. as a result of Visa Inc.’s acquisition of Visa Europe. These increases were partially offset by (i) increased rewards expense in our Credit Card business due to higher purchase volume and the continued expansion of our rewards franchise; and (ii) lower service charges and other customer-related fees primarily due to the exit of our legacy payment protection products in our Domestic Card business during the first quarter of 2016.

Provision for Credit Losses

Our provision for credit losses in each period is driven by net charge-offs, changes to the allowance for loan and lease losses and changes to the reserve for unfunded lending commitments. We recorded a provision for credit losses of $1.6 billion and $3.1 billion in the second quarter and first six months of 2016, respectively, compared to $1.1 billion and $2.1 billion in the second quarter and first six months of 2015, respectively. The provision for credit losses as a percentage of net interest income was 31.3% and 30.7% in the second quarter and first six months of 2016, respectively, compared to 24.9% and 22.6% in the second quarter and first six months of 2015, respectively.

The increase in the provision for credit losses in the second quarter of 2016 compared to the second quarter of 2015 was primarily driven by higher charge-offs and a larger allowance build in our credit card and auto loan portfolios due to continued loan growth and portfolio seasoning, as well as higher charge-offs in our commercial loan portfolio as a result of continued adverse industry conditions impacting our oil and gas portfolio. The increase in provision in the first six months of 2016 compared to the first six months of 2015 was primarily driven by higher charge-offs and a larger allowance build in our credit card and auto loan portfolios due to continued loan growth and portfolio seasoning, as well as higher charge-offs and a larger allowance build in our commercial loan portfolio as a result of continued adverse industry conditions impacting our oil and gas and taxi medallion lending portfolios.

We provide additional information on the provision for credit losses and changes in the allowance for loan and lease losses within “MD&A—Credit Risk Profile—Summary of Allowance for Loan and Lease Losses,” “Note 4—Loans” and “Note 5—Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments.” For information on the allowance methodology for each of our loan categories, see “Note 1—Summary of Significant Accounting Policies” in our 2015 Form 10-K.

Non-Interest Expense

Non-interest expense consists of ongoing operating expenses, such as salaries and associate benefits, occupancy and equipment costs, professional services, communications and data processing expenses and other non-interest expenses, as well as marketing costs and amortization of intangibles.

Table 6 displays the components of non-interest expense for the second quarter and first six months of 2016 and 2015.

Table 6: Non-Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Salaries and associate benefits	**$ 1,279**	$ 1,360	**$ 2,549**	$ 2,571
Occupancy and equipment	**465**	439	**923**	874
Marketing	**415**	387	**843**	762
Professional services	**304**	334	**582**	630
Communications and data processing	**262**	208	**505**	410
Amortization of intangibles	**95**	111	**196**	221
Other non-interest expense:				
Collections	**77**	86	**158**	170
Fraud losses	**89**	74	**179**	141
Bankcard, regulatory and other fee assessments	**129**	108	**236**	217
Other	**180**	200	**347**	360
Other non-interest expense	**475**	468	**920**	888
Total non-interest expense	**$ 3,295**	$ 3,307	**$ 6,518**	$ 6,356

Non-interest expense was unchanged at $3.3 billion in the second quarter of 2016 compared to the second quarter of 2015, and increased by $162 million to $6.5 billion in the first six months of 2016 compared to the first six months of 2015. The increase in the first six months of 2016 was primarily due to higher marketing and operating expenses associated with loan growth and continued investments in technology and infrastructure.

Income (Loss) from Discontinued Operations, Net of Tax

Income (loss) from discontinued operations consists of results from the discontinued mortgage origination operations of our wholesale mortgage banking unit, GreenPoint Mortgage Funding Inc. (“GreenPoint”) and the discontinued manufactured housing operations of GreenPoint Credit, LLC, a subsidiary of GreenPoint, both of which were acquired as part of the North Fork Bancorporation, Inc. (“North Fork”) acquisition in December 2006. Loss from discontinued operations, net of tax, was $1 million and $6 million in the second quarter and first six months of 2016, respectively, compared to income of $11 million and $30 million in the second quarter and first six months of 2015, respectively. We recorded a provision net of tax for mortgage representation and warranty reserve of $1 million ($2 million before tax) and $3 million ($5 million before tax) in the second quarter and first six months of 2016, respectively, compared to a benefit net of tax of $17 million ($27 million before tax) and $29 million ($46 million before tax) in the second quarter and first six months of 2015, respectively.

We provide additional information on the discontinued operations in “Note 2—Discontinued Operations” and on the net benefit (provision) for mortgage representation and warranty losses and the related reserve for representation and warranty claims in “MD&A—Consolidated Balance Sheets Analysis—Mortgage Representation and Warranty Reserve” and “Note 14—Commitments, Contingencies, Guarantees and Others.”

Income Taxes

We recorded income tax provisions of $424 million (31.0% effective income tax rate) and $876 million (30.9% effective income tax rate) in the second quarter and first six months of 2016, respectively, compared to $384 million (31.1% effective income tax rate) and $913 million (31.5% effective income tax rate) in the second quarter and first six months of 2015, respectively. Our effective tax rate on income from continuing operations varies between periods due, in part, to fluctuations in our pre-tax earnings, which affects the relative tax benefit of tax-exempt income, tax credits and other permanent tax items.

The decreases in our effective income tax rate in the second quarter and first six months of 2016, compared to the second quarter and first six months of 2015, were primarily due to an increased relative benefit of tax exempt income and tax credits, partially offset by a reduced benefit of lower taxed foreign earnings and an increase in discrete tax expense.

We provide additional information on items affecting our income taxes and effective tax rate under “Note 18—Income Taxes” in our 2015 Form 10-K.

BUSINESS SEGMENT FINANCIAL PERFORMANCE

Our principal operations are currently organized into three major business segments, which are defined based on the products and services provided or the type of customer served: Credit Card, Consumer Banking and Commercial Banking. The operations of acquired businesses have been integrated into our existing business segments. Certain activities that are not part of a segment, such as management of our corporate investment portfolio and asset/liability management by our centralized Corporate Treasury group, are included in the Other category.

The results of our individual businesses, which we report on a continuing operations basis, reflect the manner in which management evaluates performance and makes decisions about funding our operations and allocating resources. We provide additional information on the allocation methodologies used to derive our business segment results in "Note 20—Business Segments" in our 2015 Form 10-K.

We refer to the business segment results derived from our internal management accounting and reporting process as our "managed" presentation, which differs in some cases from our reported results prepared based on U.S. GAAP. There is no comprehensive authoritative body of guidance for management accounting equivalent to U.S. GAAP; therefore, the managed presentation of our business segment results may not be comparable to similar information provided by other financial services companies. In addition, our individual business segment results should not be used as a substitute for comparable results determined in accordance with U.S. GAAP.

Below we summarize our business segment results for the second quarter and first six months of 2016 and 2015 and provide a comparative discussion of these results. We also discuss changes in our financial condition and credit performance metrics as of June 30, 2016, compared to December 31, 2015. We provide a reconciliation of our total business segment results to our reported consolidated results in "Note 13—Business Segments." Additionally, we provide information on the outlook for each of our business segments as described above under "MD&A—Executive Summary and Business Outlook."

Credit Card Business

The primary sources of revenue for our Credit Card business are interest income, net interchange income and fees collected from customers. Expenses primarily consist of the provision for credit losses, operating costs and marketing expenses.

Our Credit Card business generated net income from continuing operations of $484 million and $1.1 billion in the second quarter and first six months of 2016, respectively, and $463 million and $1.1 billion in the second quarter and first six months of 2015, respectively.

Table 7 summarizes the financial results of our Credit Card business, which is comprised of Domestic Card and International Card, and displays selected key metrics for the periods indicated.

Table 7: Credit Card Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	2016	2015	Change	2016	2015	Change
Selected income statement data:						
Net interest income	**$ 3,045**	$ 2,633	16%	**$ 6,078**	$ 5,299	15%
Non-interest income	**859**	845	2	**1,706**	1,661	3
Total net revenue[1]	**3,904**	3,478	12	**7,784**	6,960	12
Provision (benefit) for credit losses	**1,261**	895	41	**2,332**	1,564	49
Non-interest expense	**1,883**	1,857	1	**3,746**	3,633	3
Income (loss) from continuing operations before income taxes	**760**	726	5	**1,706**	1,763	(3)
Income tax provision (benefit)	**276**	263	5	**613**	632	(3)
Income (loss) from continuing operations, net of tax	**$ 484**	$ 463	5	**$ 1,093**	$ 1,131	(3)
Selected performance metrics:						
Average loans held for investment[2]	**$ 94,382**	$ 83,901	12	**$ 93,684**	$ 83,244	13
Average yield on loans held for investment[3]	**14.49%**	13.98%	51bps	**14.55%**	14.14%	41bps
Total net revenue margin[4]	**16.55**	16.58	(3)	**16.62**	16.72	(10)
Net charge-offs	**$ 949**	$ 703	35%	**$ 1,899**	$ 1,422	34%
Net charge-off rate	**4.02%**	3.35%	67bps	**4.05%**	3.42%	63bps
Purchased credit card relationship (“PCCR”) intangible amortization	**$ 67**	$ 80	(16)%	**$ 137**	$ 164	(16)%
Purchase volume[5]	**78,019**	68,559	14	**146,208**	125,942	16

(Dollars in millions)	June 30, 2016	December 31, 2015	Change
Selected period-end data:			
Loans held for investment[2]	**$ 96,904**	$ 96,125	1%
30+ day performing delinquency rate	**3.15%**	3.36%	(21)bps
30+ day delinquency rate	**3.18**	3.40	(22)
Nonperforming loan rate	**0.05**	0.06	(1)
Allowance for loan and lease losses	**$ 4,086**	$ 3,654	12%
Allowance coverage ratio[6]	**4.22%**	3.80%	42bps

(1) We recognize billed finance charges and fee income on open-ended loans in accordance with the contractual provisions of the credit arrangements and estimate the uncollectible amount on a quarterly basis. The estimated uncollectible amount of billed finance charges and fees is reflected as a reduction in revenue and is not included in our net charge-offs. Total net revenue was reduced by $244 million and $472 million in the second quarter and first six months of 2016, respectively, and by $168 million and $315 million in the second quarter and first six months of 2015, respectively, for the estimated uncollectible amount of billed finance charges and fees and related losses. The finance charge and fee reserve totaled $289 million and $262 million as of June 30, 2016 and December 31, 2015, respectively.

(2) Period-end loans held for investment and average loans held for investment include accrued finance charges and fees, net of the estimated uncollectible amount.

(3) Calculated by dividing annualized interest income for the period by average loans held for investment during the period. Interest income excludes various allocations including funds transfer pricing that assigns certain balance sheet assets, deposits and other liabilities and their related revenue and expenses attributable to each business segment.

(4) Calculated by dividing annualized total net revenue for the period by average loans held for investment during the period. Interest income also includes interest income on loans held for sale.

(5) Consists of purchase transactions, net of returns, for the period for loans both classified as held for investment and held for sale. Excludes cash advance and balance transfer transactions.

(6) Calculated by dividing the period-end allowance for loan and lease losses by period-end loans held for investment.

Key factors affecting the results of our Credit Card business for the second quarter and first six months of 2016, compared to the second quarter and first six months of 2015, and changes in financial condition and credit performance between June 30, 2016 and December 31, 2015 include the following:

- *Net Interest Income:* Net interest income increased by $412 million to $3.0 billion in the second quarter of 2016, and increased by $779 million to $6.1 billion in the first six months of 2016, primarily driven by loan growth in our Domestic Card business.

- *Non-Interest Income:* Non-interest income increased by $14 million to $859 million in the second quarter of 2016, and increased by $45 million to $1.7 billion in the first six months of 2016. The increases were primarily attributable to (i) increases in interchange fees driven by higher purchase volume; and (ii) a gain recorded in the second quarter of 2016 related to the exchange of our ownership interest in Visa Europe with Visa Inc. as a result of Visa Inc.'s acquisition of Visa Europe; partially offset by (i) increased rewards expense due to higher purchase volume and the continued expansion of our rewards franchise; and (ii) lower service charges and other customer-related fees primarily due to the exit of our legacy payment protection products in our Domestic Card business during the first quarter of 2016.

- *Provision for Credit Losses:* The provision for credit losses increased by $366 million to $1.3 billion in the second quarter of 2016, and increased by $768 million to $2.3 billion in the first six months of 2016, primarily driven by higher charge-offs and a larger allowance build, both due to continued loan growth and portfolio seasoning.

- *Non-Interest Expense:* Non-interest expense increased by $26 million to $1.9 billion in the second quarter of 2016, and increased by $113 million to $3.7 billion in the first six months of 2016, due to higher marketing and operating expenses associated with loan growth as well as continuing digital investments, partially offset by a smaller build in our U.K. Payment Protection Insurance ("PPI") Reserve recorded in the second quarter of 2016 compared to the second quarter of 2015.

- *Loans Held for Investment:* Period-end loans held for investment increased by $779 million to $96.9 billion as of June 30, 2016 from December 31, 2015, primarily due to continued loan growth in our Domestic Card business, net of expected seasonal paydowns. Average loans held for investment increased by $10.5 billion to $94.4 billion in the second quarter of 2016 compared to the second quarter of 2015 and increased by $10.4 billion to $93.7 billion in the first six months of 2016 compared to the first six months of 2015, primarily due to growth across our domestic and international card loan portfolios, partially offset by the impact of foreign exchange rates in our international card loan portfolio driven by the strengthening of the U.S. dollar in the first six months of 2016.

- *Net Charge-off and Delinquency Metrics:* The net charge-off rate increased by 67 basis points to 4.02% in the second quarter of 2016 compared to the second quarter of 2015, and increased by 63 basis points to 4.05% in the first six months of 2016 compared to the first six months of 2015, due to the seasoning of our domestic card portfolio growth. The 30+ day delinquency rate decreased by 22 basis points to 3.18% as of June 30, 2016 from December 31, 2015 due to seasonally lower delinquency inventories.

Domestic Card Business

Domestic Card generated net income from continuing operations of $463 million and $1.0 billion in the second quarter and first six months of 2016, respectively, compared to net income from continuing operations of $458 million and $1.1 billion in the second quarter and first six months of 2015, respectively. Over the second quarter and first six months of 2016 as well as the second quarter and first six months of 2015, Domestic Card accounted for greater than 90% of total net revenues of our Credit Card business, and greater than 90% of net income of our Credit Card business.

Table 7.1 summarizes the financial results for Domestic Card and displays selected key metrics for the periods indicated.

Table 7.1: Domestic Card Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	2016	2015	Change	2016	2015	Change
Selected income statement data:						
Net interest income	**$ 2,769**	$ 2,395	16%	**$ 5,525**	$ 4,816	15%
Non-interest income	**792**	796	(1)	**1,566**	1,539	2
Total net revenue[1]	**3,561**	3,191	12	**7,091**	6,355	12
Provision (benefit) for credit losses	**1,164**	853	36	**2,136**	1,463	46
Non-interest expense	**1,669**	1,621	3	**3,340**	3,201	4
Income (loss) from continuing operations before income taxes	**728**	717	2	**1,615**	1,691	(4)
Income tax provision (benefit)	**265**	259	2	**588**	612	(4)
Income (loss) from continuing operations, net of tax	**$ 463**	$ 458	1	**$ 1,027**	$ 1,079	(5)
Selected performance metrics:						
Average loans held for investment[2]	**$ 85,981**	$ 75,924	13	**$ 85,564**	$ 75,349	14
Average yield on loans held for investment[3]	**14.40%**	13.95%	45bps	**14.41%**	14.09%	32bps
Total net revenue margin[4]	**16.57**	16.81	(24)	**16.58**	16.87	(29)
Net charge-offs	**$ 874**	$ 650	34%	**$ 1,761**	$ 1,314	34%
Net charge-off rate	**4.07%**	3.42%	65bps	**4.12%**	3.49%	63bps
PCCR intangible amortization	**$ 67**	$ 80	(16)%	**$ 137**	$ 164	(16)%
Purchase volume[5]	**71,050**	62,198	14	**133,667**	114,223	17

(Dollars in millions)	June 30, 2016	December 31, 2015	Change
Selected period-end data:			
Loans held for investment[2]	**$ 88,581**	$ 87,939	1%
30+ day delinquency rate	**3.14%**	3.39%	(25)bps
Allowance for loan and lease losses	**$ 3,730**	$ 3,355	11%
Allowance coverage ratio[6]	**4.21%**	3.82%	39bps

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[1] We recognize billed finance charges and fee income on open-ended loans in accordance with the contractual provisions of the credit arrangements and estimate the uncollectible amount on a quarterly basis. The estimated uncollectible amount of billed finance charges and fees is reflected as a reduction in revenue and is not included in our net charge-offs.

[2] Period-end loans held for investment and average loans held for investment include accrued finance charges and fees, net of the estimated uncollectible amount.

[3] Calculated by dividing annualized interest income for the period by average loans held for investment during the period. Interest income excludes various allocations including funds transfer pricing that assigns certain balance sheet assets, deposits and other liabilities and their related revenue and expenses attributable to each business segment.

[4] Calculated by dividing annualized total net revenue for the period by average loans held for investment during the period.

[5] Consists of domestic card purchase transactions, net of returns, for the period for both loans classified as held for investment and held for sale. Excludes cash advance and balance transfer transactions.

[6] Calculated by dividing the period-end allowance for loan and lease losses by period-end loans held for investment.

Because our Domestic Card business accounts for the substantial majority of our Credit Card business, the key factors driving the results discussed above are similar to the key factors affecting our total Credit Card business. Net income for our Domestic Card business increased in the second quarter of 2016 compared to the second quarter of 2015 due to higher net interest income resulting from continued loan growth, partially offset by higher provision for credit losses and higher operating and marketing expenses associated with continued loan growth, as well as continued digital investments. Net income decreased in the first six months of 2016 compared to the first six months of 2015 due to higher provision for credit losses, higher operating and marketing expenses associated with continued loan growth as well as continued investments, partially offset by higher net interest income resulting from loan growth.

International Card Business

International Card generated net income from continuing operations of $21 million and $66 million in the second quarter and first six months of 2016, respectively, compared to net income from continuing operations of $5 million and $52 million in the second quarter and first six months of 2015, respectively. The increases in net income were primarily due to (i) higher net interest income resulting from loan growth and higher loan yield due to changes in the product mix of the portfolio; (ii) a smaller build in our U.K. PPI Reserve in the second quarter of 2016 compared to the second quarter of 2015, which impacted both revenue and non-interest expense; and (iii) a gain recorded in the second quarter of 2016 related to the exchange of our ownership interest in Visa Europe with Visa Inc. as a result of Visa Inc.'s acquisition of Visa Europe. These drivers were partially offset by an increase in the provision for credit losses due to an allowance build and higher charge-offs during the second quarter and first six months of 2016 compared to allowance releases in the second quarter and first six months of 2015.

Table 7.2 summarizes the financial results for International Card and displays selected key metrics for the periods indicated.

Table 7.2: International Card Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	2016	2015	Change	2016	2015	Change
Selected income statement data:						
Net interest income	**$ 276**	$ 238	16%	**$ 553**	$ 483	14%
Non-interest income	**67**	49	37	**140**	122	15
Total net revenue	**343**	287	20	**693**	605	15
Provision (benefit) for credit losses	**97**	42	131	**196**	101	94
Non-interest expense	**214**	236	(9)	**406**	432	(6)
Income (loss) from continuing operations before income taxes	**32**	9	256	**91**	72	26
Income tax provision (benefit)	**11**	4	175	**25**	20	25
Income (loss) from continuing operations, net of tax	**$ 21**	$ 5	320	**$ 66**	$ 52	27
Selected performance metrics:						
Average loans held for investment[1]	**$ 8,401**	$ 7,977	5	**$ 8,120**	$ 7,895	3
Average yield on loans held for investment[2]	**15.45%**	14.29%	116bps	**15.94%**	14.60%	134bps
Total net revenue margin[3]	**16.32**	14.36	196	**17.06**	15.33	173
Net charge-offs	**$ 75**	$ 53	42%	**$ 138**	$ 108	28%
Net charge-off rate	**3.54%**	2.65%	89bps	**3.39%**	2.73%	66bps
Purchase volume[4]	**$ 6,969**	$ 6,361	10%	**$ 12,541**	$ 11,719	7%

(Dollars in millions)	June 30, 2016	December 31, 2015	Change
Selected period-end data:			
Loans held for investment[1]	**$ 8,323**	$ 8,186	2%
30+ day performing delinquency rate	**3.24%**	2.98%	26bps
30+ day delinquency rate	**3.65**	3.46	19
Nonperforming loan rate	**0.53**	0.65	(12)
Allowance for loan and lease losses	**$ 356**	$ 299	19%
Allowance coverage ratio[5]	**4.28%**	3.66%	62bps

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(1) Period-end loans held for investment and average loans held for investment include accrued finance charges and fees, net of the estimated uncollectible amount.

(2) Calculated by dividing annualized interest income for the period by average loans held for investment during the period. Interest income excludes various allocations including funds transfer pricing that assigns certain balance sheet assets, deposits and other liabilities and their related revenue and expenses attributable to each business segment.

(3) Calculated by dividing annualized total net revenue for the period by average loans held for investment during the period.

(4) Consists of international card purchase transactions, net of returns for the period. Excludes cash advance and balance transfer transactions.

(5) Calculated by dividing the period-end allowance for loan and lease losses by period-end loans held for investment.

Consumer Banking Business

The primary sources of revenue for our Consumer Banking business are net interest income from loans and deposits and non-interest income from service charges and customer-related fees. Expenses primarily consist of the provision for credit losses, operating costs and marketing expenses.

Our Consumer Banking business generated net income from continuing operations of $257 million and $506 million in the second quarter and first six months of 2016, respectively, and $291 million and $557 million in the second quarter and first six months of 2015, respectively.

Table 8 summarizes the financial results of our Consumer Banking business and displays selected key metrics for the periods indicated.

Table 8: Consumer Banking Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Selected income statement data:						
Net interest income	**$ 1,439**	$ 1,444	—	**$ 2,859**	$ 2,878	(1)%
Non-interest income	**175**	196	(11)%	**366**	354	3
Total net revenue	**1,614**	1,640	(2)	**3,225**	3,232	—
Provision (benefit) for credit losses	**204**	185	10	**434**	391	11
Non-interest expense	**1,006**	998	1	**1,996**	1,968	1
Income (loss) from continuing operations before income taxes	**404**	457	(12)	**795**	873	(9)
Income tax provision (benefit)	**147**	166	(11)	**289**	316	(9)
Income (loss) from continuing operations, net of tax	**$ 257**	$ 291	(12)	**$ 506**	$ 557	(9)
Selected performance metrics:						
Average loans held for investment:[1]						
Auto	**$ 43,605**	$ 39,546	10	**$ 42,784**	$ 38,970	10
Home loan	**23,835**	28,251	(16)	**24,308**	28,869	(16)
Retail banking	**3,548**	3,570	(1)	**3,550**	3,565	—
Total consumer banking	**$ 70,988**	$ 71,367	(1)	**$ 70,642**	$ 71,404	(1)
Average yield on loans held for investment[2]	**6.28%**	6.27%	1bps	**6.23%**	6.27%	(4)bps
Average deposits	**$ 176,808**	$ 171,076	3%	**$ 175,531**	$ 170,339	3%
Average deposit interest rate	**0.55%**	0.57%	(2)bps	**0.54%**	0.57%	(3)bps
Net charge-offs	**146**	136	7%	**329**	295	12%
Net charge-off rate	**0.83%**	0.76%	7bps	**0.93%**	0.83%	10bps
Net charge-off rate (excluding PCI loans)[3]	**1.09**	1.09	—	**1.24**	1.19	5
Auto loan originations	**$ 6,529**	$ 5,433	20%	**$ 12,373**	$ 10,618	17%

(Dollars in millions)	June 30, 2016	December 31, 2015	Change
Selected period-end data:			
Loans held for investment:[1]			
Auto	**$ 44,502**	$ 41,549	7%
Home loan	**23,358**	25,227	(7)
Retail banking	**3,555**	3,596	(1)
Total consumer banking	**$ 71,415**	$ 70,372	1
30+ day performing delinquency rate	**3.56%**	4.05%	(49)bps
30+ day performing delinquency rate (excluding PCI loans)[3]	**4.64**	5.50	(86)
30+ day delinquency rate	**4.07**	4.67	(60)
30+ day delinquency rate (excluding PCI loans)[3]	**5.30**	6.34	(104)
Nonperforming loan rate	**0.69**	0.79	(10)
Nonperforming loan rate (excluding PCI loans)[3]	**0.90**	1.08	(18)
Nonperforming asset rate[4]	**0.96**	1.10	(14)
Nonperforming asset rate (excluding PCI loans)[3][4]	**0.97**	1.50	(53)
Allowance for loan and lease losses	**$ 972**	$ 868	12%
Allowance coverage ratio[5][6]	**1.36%**	1.23%	13bps
Deposits	**$ 176,340**	$ 172,702	2%
Loans serviced for others	**7,794**	7,530	4

(1) The period-end consumer banking loans held for investment includes purchased credit-impaired loans (“PCI loans”) with carrying values of $16.6 billion and $18.6 billion as of June 30, 2016 and December 31, 2015, respectively. The average balance of consumer banking loans held for investment includes PCI loans of $16.9 billion and $21.3 billion in the second quarter of 2016 and 2015, respectively, and $17.5 billion and $21.9 billion in the first six months of 2016 and 2015, respectively. See “MD&A—Glossary and Acronyms” for the definition of “PCI loans.”

(2) Calculated by dividing annualized interest income for the period by average loans held for investment during the period. Interest income excludes various allocations including funds transfer pricing that assigns certain balance sheet assets, deposits and other liabilities and their related revenue and expenses attributable to each business segment.

(3) See “MD&A—Credit Risk Profile” and “Note 1—Summary of Significant Accounting Policies” in our 2015 Form 10-K for additional information on the impact of PCI loans on our credit quality metrics.

(4) Nonperforming assets consist of nonperforming loans, real estate owned (“REO”) and other foreclosed assets. The nonperforming asset rate is calculated based on period-end nonperforming assets divided by the sum of period-end loans held for investment, foreclosed properties and other foreclosed assets, and is adjusted to exclude the impact of acquired REOs.

(5) Calculated by dividing the period-end allowance for loan and lease losses by period-end loans held for investment.

(6) Excluding the impact of PCI home loans, the coverage ratios for our home loan portfolio and total consumer banking were 0.44% and 1.72%, respectively, as of June 30, 2016, compared to 0.50% and 1.60%, respectively, as of December 31, 2015.

Key factors affecting the results of our Consumer Banking business for the second quarter and first six months of 2016, compared to the second quarter and first six months of 2015, and changes in financial condition and credit performance between June 30, 2016 and December 31, 2015 include the following:

- *Net Interest Income:* Net interest income remained flat at $1.4 billion and $2.9 billion in the second quarter of 2016 and the first six months of 2016, respectively, as lower net interest income attributable to the planned run-off of our acquired home loan portfolio and margin compression in auto loans was partially offset by growth in our auto loan portfolio.

  Consumer Banking loan yield increased by 1 basis point to 6.3% and decreased by 4 basis points to 6.2% in the second quarter and first six months of 2016, respectively, compared to the second quarter and first six months of 2015. The decrease in the first six months of 2016 was primarily driven by declining yield in our auto loan portfolio, partially offset by changes in the product mix in Consumer Banking as a result of the planned run-off of our acquired home loan portfolio and growth in our auto loan portfolio. Average yield on auto loans decreased by 42 basis points to 7.7% and decreased by 47 basis points to 7.7% in the second quarter and first six months of 2016, respectively. These decreases were primarily attributable to (i) a higher proportion of prime auto loans in the second quarter and first six months of 2016 compared to the second quarter and first six months of 2015; and (ii) continued competition that drove margin compression across the auto business. The average yield on the home loan portfolio increased by 2 basis points to 3.9% and decreased by 6 basis points to 3.8% in the second quarter and first six months of 2016, respectively.

- *Non-Interest Income:* Non-interest income decreased by $21 million to $175 million in the second quarter of 2016, primarily attributable to a decrease in loans originated and sold within our home loan portfolio. Non-interest income increased by $12 million to $366 million in the first six months of 2016, primarily due to a customer rewards liability release in the first quarter of 2016 within the retail banking business related to the discontinuation of certain debit card and deposit products.

- *Provision for Credit Losses:* The provision for credit losses increased by $19 million to $204 million in the second quarter of 2016, and increased by $43 million to $434 million in the first six months of 2016, primarily driven by higher charge-offs and a larger allowance build in our auto loan portfolio due to continued loan growth, portfolio seasoning and our expectation that used car auction prices will decline from current levels.

- *Non-Interest Expense:* Non-interest expense increased by $8 million to $1.0 billion in the second quarter of 2016, and increased by $28 million to $2.0 billion in the first six months of 2016, primarily due to increased marketing expenses in our retail banking business and higher operating expenses driven by growth in our auto loan portfolio.

- *Loans Held for Investment:* Period-end loans held for investment increased by $1.0 billion to $71.4 billion as of June 30, 2016 from December 31, 2015, primarily due to growth in our auto loan portfolio, partially offset by the planned run-off of our acquired home loan portfolio. Average loans held for investment decreased by $379 million to $71.0 billion in the second quarter of 2016 compared to the second quarter of 2015, and decreased by $762 million to $70.6 billion in the first six months of 2016 compared to the first six months of 2015, primarily due to the planned run-off of our acquired home loan portfolio, partially offset by growth in our auto loan portfolio.

- *Deposits:* Period-end deposits increased by $3.6 billion to $176.3 billion as of June 30, 2016 from December 31, 2015, as a result of our continued focus on deposit relationships with existing customers and our ability to attract new customers.

- *Net Charge-off and Delinquency Metrics:* The net charge-off rate increased by 7 basis points to 0.83% in the second quarter of 2016 compared to the second quarter of 2015, and increased by 10 basis points to 0.93% in the first six months of 2016 compared to the first six months of 2015. The increases in the net charge-off rate reflect the greater proportion of auto loans in our total consumer banking loan portfolio, which generally have higher charge-off rates than other products within this portfolio. The 30+ day delinquency rate decreased by 60 basis points to 4.07% as of June 30, 2016 from December 31, 2015, primarily attributable to seasonally lower auto delinquency inventories.

Commercial Banking Business

The primary sources of revenue for our Commercial Banking business are net interest income from loans and deposits and non-interest income from customer fees and other transactions. Because we have some investments that generate tax-exempt income or tax credits, we make certain reclassifications to our Commercial Banking business results to present revenues on a taxable-equivalent basis. Expenses primarily consist of the provision for credit losses, operating costs and marketing expenses.

Our Commercial Banking business generated net income from continuing operations of $138 million and $205 million in the second quarter and first six months of 2016, respectively, and $172 million and $327 million in the second quarter and first six months of 2015, respectively. Table 9 summarizes the financial results of our Commercial Banking business and displays selected key metrics for the periods indicated.

Table 9: Commercial Banking Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Selected income statement data:						
Net interest income	**$ 559**	$ 466	20%	**$ 1,096**	$ 927	18%
Non-interest income	**129**	123	5	**247**	237	4
Total net revenue[1]	**688**	589	17	**1,343**	1,164	15
Provision (benefit) for credit losses[2]	**128**	49	161	**356**	109	227
Non-interest expense	**343**	270	27	**665**	542	23
Income (loss) from continuing operations before income taxes	**217**	270	(20)	**322**	513	(37)
Income tax provision (benefit)	**79**	98	(19)	**117**	186	(37)
Income (loss) from continuing operations, net of tax	**$ 138**	$ 172	(20)	**$ 205**	$ 327	(37)
Selected performance metrics:						
Average loans held for investment:[3]						
Commercial and multifamily real estate	**$ 25,661**	$ 22,853	12	**$ 25,338**	$ 22,985	10
Commercial and industrial	**38,713**	27,414	41	**38,237**	27,303	40
Total commercial lending	**64,374**	50,267	28	**63,575**	50,288	26
Small-ticket commercial real estate	**564**	709	(20)	**581**	735	(21)
Total commercial banking	**$ 64,938**	$ 50,976	27	**$ 64,156**	$ 51,023	26
Average yield on loans held for investment[1][4]	**3.45%**	3.26%	19bps	**3.42%**	3.24%	18bps
Average deposits	**$ 33,764**	$ 32,778	3%	**$ 33,920**	$ 32,811	3%
Average deposit interest rate	**0.27%**	0.25%	2bps	**0.27%**	0.24%	3bps
Net charge-offs	**$ 60**	$ 7	**	**$ 106**	$ 10	**
Net charge-off rate	**0.37%**	0.05%	32bps	**0.33%**	0.04%	29bps

(Dollars in millions)	**June 30, 2016**	**December 31, 2015**	**Change**
Selected period-end data:			
Loans held for investment:[3]			
Commercial and multifamily real estate	**$ 26,341**	$ 25,518	3%
Commercial and industrial	**39,313**	37,135	6
Total commercial lending	**65,654**	62,653	5
Small-ticket commercial real estate	**548**	613	(11)
Total commercial banking	**$ 66,202**	$ 63,266	5
Nonperforming loan rate	**1.59%**	0.87%	72bps
Nonperforming asset rate[5]	**1.60**	0.87	73
Allowance for loan and lease losses[2]	**$ 821**	$ 604	36%
Allowance coverage ratio[6]	**1.24%**	0.95%	29bps
Deposits	**$ 34,281**	$ 34,257	—
Loans serviced for others[7]	**19,083**	17,643	8%

(1) Some of our tax-related commercial investments generate tax-exempt income or tax credits. Accordingly, we make certain reclassifications within our Commercial Banking business results to present revenues and yields on a taxable-equivalent basis, calculated assuming an effective tax rate approximately equal to our federal statutory tax rate of 35% with offsetting reclassifications to the Other category.

(2) The provision for losses on unfunded lending commitments is included in the provision for credit losses in our consolidated statements of income and the related reserve for unfunded lending commitments is included in other liabilities on our consolidated balance sheets. Our reserve for unfunded lending commitments totaled $161 million as of both June 30, 2016 and December 31, 2015.

(3) The period-end commercial banking loans held for investment include PCI loans with carrying value of $770 million and $958 million as of June 30, 2016 and December 31, 2015, respectively. The average balance of commercial banking loans held for investment includes PCI loans of $842 million and $156 million in the second quarter of 2016 and 2015, respectively, and $884 million and $163 million in the first six months of 2016 and 2015, respectively. See "MD&A—Glossary and Acronyms" for the definition of "PCI loans."

(4) Calculated by dividing annualized interest income for the period by average loans held for investment during the period. Interest income excludes various allocations including funds transfer pricing that assigns certain balance sheet assets, deposits and other liabilities and their related revenue and expenses attributable to each business segment.

(5) Nonperforming assets consist of nonperforming loans, REO and other foreclosed assets. The nonperforming asset rate is calculated based on period-end nonperforming assets divided by the sum of period-end loans held for investment, foreclosed properties and other foreclosed assets, and is adjusted to exclude the impact of acquired REOs.

(6) Calculated by dividing the period-end allowance for loan and lease losses by period-end loans held for investment.

(7) Represents our portfolio of loans serviced for third parties related to our multifamily finance business.

** Change is not meaningful.

Key factors affecting the results of our Commercial Banking business for the second quarter and first six months of 2016, compared to the second quarter and first six months of 2015, and changes in financial condition and credit performance between June 30, 2016 and December 31, 2015 include the following:

- *Net Interest Income:* Net interest income increased by $93 million to $559 million in the second quarter of 2016, and increased by $169 million to $1.1 billion in the first six months of 2016, primarily driven by loan growth, including loans acquired in the HFS acquisition.

- *Non-Interest Income:* Non-interest income increased by $6 million to $129 million in the second quarter of 2016, and increased by $10 million to $247 million in the first six months of 2016.

- *Provision for Credit Losses:* The provision for credit losses increased by $79 million to $128 million in the second quarter of 2016, and increased by $247 million to $356 million in the first six months of 2016. The increase in the second quarter of 2016 compared to the second quarter of 2015 was primarily driven by higher charge-offs due to continued adverse industry conditions impacting our oil and gas portfolio. The provision increase in the first six months of 2016 compared to the first six months of 2015 was primarily driven by higher charge-offs and a larger allowance build, both due to continued adverse industry conditions impacting our oil and gas and taxi medallion lending portfolios. See “MD&A—Table 18—Commercial Loans by Industry” for additional information about the composition of our commercial banking loan portfolio, and “Note 4—Loans” for additional information about credit metrics for our commercial banking loan portfolio.

- *Non-Interest Expense:* Non-interest expense increased by $73 million to $343 million in the second quarter of 2016, and increased by $123 million to $665 million in the first six months of 2016, driven by higher operating expenses due to costs associated with the HFS acquisition and continued growth in our Commercial Banking business.

- *Loans Held for Investment:* Period-end loans held for investment increased by $2.9 billion to $66.2 billion as of June 30, 2016 from December 31, 2015 driven by growth across our commercial loan portfolios. Average loans held for investment increased by $14.0 billion to $64.9 billion in the second quarter of 2016 compared to the second quarter of 2015, and increased by $13.1 billion to $64.2 billion in the first six months of 2016 compared to the first six months of 2015, primarily driven by the HFS acquisition and growth across our commercial loan portfolios.

- *Deposits:* Period-end deposits were flat at $34.3 billion as of June 30, 2016 compared to December 31, 2015.

- *Net Charge-off and Nonperforming Metrics:* The net charge-off rate increased by 32 basis points to 0.37% in the second quarter of 2016 compared to the second quarter of 2015, and increased by 29 basis points to 0.33% in the first six months of 2016 compared to the first six months of 2015, and the nonperforming loan rate increased by 72 basis points to 1.59% as of June 30, 2016 from December 31, 2015. The increases in these rates reflect rising losses and credit risk rating downgrades in our oil and gas and taxi medallion lending portfolios.

Other Category

Other includes unallocated amounts related to our centralized Corporate Treasury group activities, such as management of our corporate investment portfolio, asset/liability management and certain capital management activities. Other also includes (i) foreign exchange-rate fluctuations on foreign currency-denominated balances; (ii) unallocated corporate expenses that do not directly support the operations of the business segments or for which the business segments are not considered financially accountable in evaluating their performance, such as certain acquisition and restructuring charges; (iii) a portion of the net benefit (provision) for representation and warranty losses related to continuing operations; and (iv) offsets related to certain line-item reclassifications.

Table 10 summarizes the financial results of our Other category for the periods indicated.

Table 10: Other Category Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	2016	2015	Change	2016	2015	Change
Selected income statement data:						
Net interest income (expense)	**$ 50**	$ (6)	**	**$ 116**	$ 9	**
Non-interest income	**(2)**	(29)	(93)%	**6**	(46)	**
Total net revenue (loss)[1]	**48**	(35)	**	**122**	(37)	**
Provision (benefit) for credit losses	**(1)**	—	**	**(3)**	—	**
Non-interest expense	**63**	182	(65)	**111**	213	(48)%
Income (loss) from continuing operations before income taxes	**(14)**	(217)	(94)	**14**	(250)	**
Income tax provision (benefit)	**(78)**	(143)	(45)	**(143)**	(221)	(35)
Income (loss) from continuing operations, net of tax	**$ 64**	$ (74)	**	**$ 157**	$ (29)	**

(1) Some of our tax-related commercial investments generate tax-exempt income or tax credits. Accordingly, we make certain reclassifications within our Commercial Banking business results to present revenues and yields on a taxable-equivalent basis, calculated assuming an effective tax rate approximately equal to our federal statutory tax rate of 35% with offsetting reclassifications to the Other category.

** Change is not meaningful.

Net income from continuing operations recorded in the Other category was $64 million and $157 million in the second quarter and first six months of 2016, respectively, compared to net losses from continuing operations of $74 million and $29 million in the second quarter and first six months of 2015, respectively. The increases in net income were primarily driven by (i) lower restructuring charges for severance and related benefits pursuant to our ongoing benefit programs as a result of the realignment of our workforce; and (ii) higher net interest income due to the impact of balance sheet growth and rates on treasury revenue. These increases were partially offset by (i) increased bank optimization charges; and (ii) a reduced income tax benefit as a result of higher income before taxes and increased discrete tax expense, partially offset by increased tax credits.

CONSOLIDATED BALANCE SHEETS ANALYSIS

Total assets increased by $5.1 billion to $339.1 billion as of June 30, 2016 from December 31, 2015 primarily attributable to an increase of $4.8 billion in loans held for investment primarily driven by growth in our auto, commercial and credit card loan portfolios, partially offset by the planned run-off of our acquired home loan portfolio and seasonal paydowns in our credit card loan portfolio. Total liabilities increased by $4.2 billion to $291.0 billion as of June 30, 2016, primarily driven by an increase in deposits generated by our Consumer Banking business. Stockholders' equity increased by $824 million to $48.1 billion as of June 30, 2016, primarily due to our net income of $2.0 billion in the first six months of 2016 and $857 million of other comprehensive income, partially offset by $1.6 billion of share repurchases under our 2015 Stock Repurchase Program, which we completed in the second quarter of 2016, and $521 million of dividend payments.

The following is a discussion of material changes in the major components of our assets and liabilities during the first six months of 2016. Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management activities that are intended to ensure the adequacy of capital while managing our liquidity requirements for the Company and our customers and our market risk exposure in accordance with our risk appetite.

Investment Securities

Our investment portfolio consists primarily of the following: U.S. Treasury securities; U.S. government-sponsored enterprise ("Agency") and non-agency residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS"); other asset-backed securities ("ABS"); and other securities. The carrying value of our investments in U.S. Treasury and Agency securities represented 91% and 90% of our total investment securities portfolio as of June 30, 2016 and December 31, 2015, respectively.

The fair value of our available for sale securities portfolio was $40.0 billion as of June 30, 2016, an increase of $899 million from December 31, 2015. The increase was primarily due to growth in this portfolio as purchases outpaced sales, maturities and paydowns, as well as a decrease in interest rates. The fair value of our held to maturity securities portfolio was $26.8 billion as of June 30, 2016, an increase of $1.5 billion from $25.3 billion as of December 31, 2015. The increase was primarily due to lower interest rates and growth in this portfolio as purchases outpaced maturities and paydowns.

Gross unrealized gains on our available for sale securities portfolio increased to $860 million as of June 30, 2016 compared to $578 million as of December 31, 2015 and gross unrealized losses on this portfolio decreased to $94 million as of June 30, 2016 compared to $321 million as of December 31, 2015, both of which were primarily driven by a decrease in interest rates. Of the $94 million gross unrealized losses as of June 30, 2016, $64 million was related to securities that had been in a loss position for 12 months or longer. We provide information on OTTI recognized in earnings on our investment securities above in "MD&A—Consolidated Results of Operations—Non-Interest Income."

Table 11 presents the amortized cost, carrying value and fair value for the major categories of our investment securities portfolio as of June 30, 2016 and December 31, 2015.

Table 11: Investment Securities

	June 30, 2016		December 31, 2015	
(Dollars in millions)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Investment securities available for sale:				
U.S. Treasury securities	**$ 5,140**	**$ 5,189**	$ 4,664	$ 4,660
RMBS:				
Agency[1]	**24,885**	**25,158**	24,332	24,285
Non-agency	**2,516**	**2,857**	2,680	3,026
Total RMBS	**27,401**	**28,015**	27,012	27,311
CMBS:				
Agency[1]	**3,587**	**3,628**	3,690	3,664
Non-agency	**1,729**	**1,782**	1,723	1,715
Total CMBS	**5,316**	**5,410**	5,413	5,379
Other ABS[2]	**1,000**	**1,005**	1,345	1,340
Other securities[3]	**337**	**341**	370	371
Total investment securities available for sale	**$ 39,194**	**$ 39,960**	$ 38,804	$ 39,061
(Dollars in millions)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Investment securities held to maturity:				
U.S. Treasury securities	**$ 199**	**$ 201**	$ 199	$ 198
Agency RMBS	**21,847**	**23,322**	21,513	22,133
Agency CMBS	**3,074**	**3,276**	2,907	2,986
Total investment securities held to maturity	**$ 25,120**	**$ 26,799**	$ 24,619	$ 25,317

(1) Includes Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and Government National Mortgage Association ("Ginnie Mae") guaranteed securities.

(2) ABS collateralized by credit card loans constituted approximately 65% and 71% of the other ABS portfolio as of June 30, 2016 and December 31, 2015, respectively, and ABS collateralized by auto dealer floor plan inventory loans and leases constituted approximately 17% and 11% of the other ABS portfolio as of June 30, 2016 and December 31, 2015, respectively.

(3) Includes foreign government bonds and equity investments.

Credit Ratings

Our portfolio of investment securities continues to be concentrated in securities that generally have high credit ratings and low credit risk, such as securities issued and guaranteed by the U.S. Treasury and Agencies. Approximately 95% of our total investment securities portfolio was rated AA+ or its equivalent, or better, as of both June 30, 2016 and December 31, 2015, while approximately 4% and 5% was below investment grade as of June 30, 2016 and December 31, 2015, respectively. We categorize the credit ratings of our investment securities based on the lowest credit rating as issued by the following rating agencies: Standard & Poor’s Ratings Services, Moody’s Investors Service (“Moody’s”) and Fitch Ratings (“Fitch”).

Table 12 provides information on the credit ratings of our non-agency RMBS, non-agency CMBS, other ABS and other securities in our portfolio as of June 30, 2016 and December 31, 2015.

Table 12: Non-Agency Investment Securities Credit Ratings

	June 30, 2016				December 31, 2015			
(Dollars in millions)	Fair Value	AAA	Other Investment Grade	Below Investment Grade[(1)]	Fair Value	AAA	Other Investment Grade	Below Investment Grade[(1)]
Non-agency RMBS	**$ 2,857**	**—**	**3%**	**97%**	$ 3,026	—	3%	97%
Non-agency CMBS	**1,782**	**100%**	**—**	**—**	1,715	100%	—	—
Other ABS	**1,005**	**99**	**1**	**—**	1,340	99	1	—
Other securities	**341**	**16**	**51**	**33**	371	8	64	28

(1) Includes investment securities that were not rated.

For additional information on our investment securities, see “Note 3—Investment Securities.”

Loans Held for Investment

Total loans held for investment (“HFI”) consists of both unsecuritized loans and loans held in our consolidated trusts. Table 13 summarizes our portfolio of loans held for investment by portfolio segment, net of the allowance for loan and lease losses, as of June 30, 2016 and December 31, 2015.

Table 13: Loans Held for Investment

	June 30, 2016			December 31, 2015		
(Dollars in millions)	Loans	Allowance	Net Loans	Loans	Allowance	Net Loans
Credit Card	**$ 96,904**	**$ 4,086**	**$ 92,818**	$ 96,125	$ 3,654	$ 92,471
Consumer Banking	**71,415**	**972**	**70,443**	70,372	868	69,504
Commercial Banking	**66,202**	**821**	**65,381**	63,266	604	62,662
Other	**82**	**2**	**80**	88	4	84
Total	**$ 234,603**	**$ 5,881**	**$ 228,722**	$ 229,851	$ 5,130	$ 224,721

Loans held for investment increased by $4.8 billion to $234.6 billion as of June 30, 2016 from December 31, 2015, primarily driven by growth in our auto, commercial and credit card loan portfolios, partially offset by the planned run-off of our acquired home loan portfolio and seasonal paydowns in our credit card loan portfolio.

We provide additional information on the composition of our loan portfolio and credit quality below in “MD&A—Credit Risk Profile,” “MD&A—Consolidated Results of Operations” and “Note 4—Loans.”

Loans Held for Sale

Loans held for sale, which are carried at lower of cost or fair value, increased by $316 million to $1.2 billion as of June 30, 2016 from December 31, 2015. The increase was primarily driven by (i) higher originations in our multifamily finance business in our Commercial Banking business and the timing of sales of these loans; and (ii) the transfer of certain commercial loans from loans held for investment to loans held for sale, partially offset by the sale of certain domestic credit card loan portfolios.

Deposits

Our deposits represent our largest source of funding for our operations, providing a consistent source of low-cost funds. Total deposits increased by $3.3 billion to $221.1 billion as of June 30, 2016 from December 31, 2015. The increase in deposits was primarily driven by growth in our Consumer Banking businesses as a result of our continued focus on deposit relationships with existing customers and our ability to attract new customers. We provide information on the composition of our deposits, average outstanding balances, interest expense and yield below in “MD&A—Liquidity Risk Profile.”

Securitized Debt Obligations

Securitized debt obligations decreased to $16.1 billion as of June 30, 2016, from $16.2 billion as of December 31, 2015, as maturities exceeded debt issuances during the first six months of 2016. We provide additional information on our borrowings below in “MD&A—Liquidity Risk Profile.”

Other Debt

Other debt, which consists primarily of federal funds purchased and securities loaned or sold under agreements to repurchase, senior and subordinated notes, and Federal Home Loan Banks (“FHLB”) advances, totaled $43.1 billion as of June 30, 2016, of which $42.1 billion represented long-term debt and the remainder represented short-term borrowings. Other debt totaled $42.9 billion as of December 31, 2015, of which $42.0 billion represented long-term debt and the remainder represented short-term borrowings.

The increase in other debt of $102 million in the first six months of 2016 was primarily attributable to an increase in our FHLB advances outstanding. We provide additional information on our borrowings below in “MD&A—Liquidity Risk Profile” and in “Note 8—Deposits and Borrowings.”

Mortgage Representation and Warranty Reserve

We acquired three subsidiaries that originated residential mortgage loans and sold these loans to various purchasers, including purchasers who created securitization trusts. These subsidiaries are Capital One Home Loans, LLC, which was acquired in February 2005; GreenPoint, which was acquired in December 2006 as part of the North Fork Bancorporation, Inc. (“North Fork”) acquisition; and CCB, which was acquired in February 2009 and subsequently merged into CONA.

We have established representation and warranty reserves for losses associated with the mortgage loans sold by each subsidiary that we consider to be both probable and reasonably estimable, including both litigation and non-litigation liabilities. These reserves are reported on our consolidated balance sheets as a component of other liabilities. The reserve setting process relies heavily on estimates, which are inherently uncertain, and requires judgment. We evaluate these estimates on a quarterly basis. We build our representation and warranty reserves through the provision for mortgage representation and warranty losses, which we report in our consolidated statements of income as a component of non-interest income for loans originated and sold by CCB and Capital One Home Loans, LLC and as a component of discontinued operations for loans originated and sold by GreenPoint. The aggregate reserve for all three entities totaled $614 million as of June 30, 2016, compared to $610 million as of December 31, 2015.

The table below summarizes changes in our representation and warranty reserve in the second quarter and first six months of 2016 and 2015.

Table 14: Changes in Representation and Warranty Reserve

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Representation and warranty reserve, beginning of period	**$ 613**	$ 673	**$ 610**	$ 731
Provision (benefit) for mortgage representation and warranty losses:				
Recorded in continuing operations	**(1)**	(9)	**(2)**	(8)
Recorded in discontinued operations	**2**	(27)	**5**	(46)
Total provision (benefit) for mortgage representation and warranty losses	**1**	(36)	**3**	(54)
Net realized recoveries (losses)	**—**	(1)	**1**	(41)
Representation and warranty reserve, end of period	**$ 614**	$ 636	**$ 614**	$ 636

As part of our business planning processes, we have considered various outcomes relating to the future representation and warranty liabilities of our subsidiaries that are possible but do not rise to the level of being both probable and reasonably estimable outcomes justifying an incremental reserve under applicable accounting standards. Our current best estimate of reasonably possible future losses from representation and warranty claims beyond what was in our reserve as of June 30, 2016, is approximately $1.5 billion, a decline from our estimate of $1.6 billion as of December 31, 2015. The decrease in this estimate was primarily driven by favorable rulings in representation and warranty-related litigation.

We provide additional information related to the representation and warranty reserve, including factors that may impact the adequacy of the reserve and the ultimate amount of losses incurred by our subsidiaries, in "Note 14—Commitments, Contingencies, Guarantees and Others."

OFF-BALANCE SHEET ARRANGEMENTS AND VARIABLE INTEREST ENTITIES

In the ordinary course of business, we are involved in various types of arrangements with limited liability companies, partnerships or trusts that often involve special purpose entities and variable interest entities ("VIEs"). Some of these arrangements are not recorded on our consolidated balance sheets or may be recorded in amounts different from the full contract or notional amount of the arrangements, depending on the nature or structure of, and the accounting standards required to be applied to, the arrangement. These arrangements may expose us to potential losses in excess of the amounts recorded on our consolidated balance sheets. Our involvement in these arrangements can take many forms, including securitization and servicing activities, the purchase or sale of mortgage-backed or other asset-backed securities in connection with our home loan portfolio and loans to VIEs that hold debt, equity, real estate or other assets.

Our continuing involvement in unconsolidated VIEs primarily consists of certain home loan securitization trusts and affordable housing entities. We provide a discussion of our activities related to these VIEs in "Note 6—Variable Interest Entities and Securitizations."

CAPITAL MANAGEMENT

The level and composition of our capital are determined by multiple factors, including our consolidated regulatory capital requirements and internal risk-based capital assessments such as internal stress testing and economic capital. The level and composition of our capital may also be influenced by rating agency guidelines, subsidiary capital requirements, the business environment, conditions in the financial markets and assessments of potential future losses due to adverse changes in our business and market environments.

Capital Standards and Prompt Corrective Action

We are subject to capital adequacy standards adopted by the Federal Reserve, Office of the Comptroller of the Currency ("OCC") and FDIC (collectively, the "Federal Banking Agencies"), including the capital rules that implemented the Basel III capital framework ("Final Basel III Capital Rule") developed by the Basel Committee on Banking Supervision ("Basel Committee"). Moreover, the Banks, as insured depository institutions, are subject to Prompt Corrective Action ("PCA") capital regulations.

In July 2013, the Federal Banking Agencies adopted the Final Basel III Capital Rule, which, in addition to implementing the Basel III capital framework, also implemented certain Dodd-Frank Act and other capital provisions, and updated the PCA capital framework to reflect the new regulatory capital minimums. The Final Basel III Capital Rule amended both the Basel I and Basel II Advanced Approaches frameworks, established a new common equity Tier 1 capital requirement and set higher minimum capital ratio requirements. We refer to the amended Basel I framework as the "Basel III Standardized Approach," and the amended Advanced Approaches framework as the "Basel III Advanced Approaches."

At the end of 2012, we met one of the two independent eligibility criteria set by banking regulators for becoming subject to the Advanced Approaches capital rules. As a result, we have undertaken a multi-year process of implementing the Advanced Approaches regime for calculating risk-weighted assets and regulatory capital levels. We entered parallel run under Advanced Approaches on January 1, 2015, during which we will calculate capital ratios under both the Basel III Standardized Approach and the Basel III Advanced Approaches, though we will continue to use the Standardized Approach for purposes of meeting regulatory capital requirements. The Basel Committee has recently released proposed changes to the Basel III capital framework. There is uncertainty as to how the Federal Banking Agencies may adopt and implement those and any other potential changes in the United States capital rules and how such changes may impact the Basel III Standardized Approach and the Basel III Advanced Approaches once they become finalized.

Separately, we also disclose a non-GAAP TCE ratio in "MD&A—Summary of Selected Financial Data." While the TCE ratio is a capital measure widely used by investors, analysts, rating agencies, and bank regulatory agencies to assess the capital position of financial services companies, it may not be comparable to similarly titled measures reported by other companies. We provide information on the calculation of this ratio in "MD&A—Table A—Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures."

Table 15 provides a comparison of our regulatory capital ratios under the Basel III Standardized Approach subject to transition provisions, the regulatory minimum capital adequacy ratios and the PCA well-capitalized targets as of June 30, 2016 and December 31, 2015.

Table 15: Capital Ratios under Basel III[(1)(2)]

	June 30, 2016			December 31, 2015		
	Capital Ratio	Minimum Capital Adequacy	Well-Capitalized	Capital Ratio	Minimum Capital Adequacy	Well-Capitalized
Capital One Financial Corp:						
Common equity Tier 1 capital[(3)]	**10.9%**	**4.5%**	**N/A**	11.1%	4.5%	N/A
Tier 1 capital[(4)]	**12.2**	**6.0**	**6.0%**	12.4	6.0	6.0%
Total capital[(5)]	**14.4**	**8.0**	**10.0**	14.6	8.0	10.0
Tier 1 leverage[(6)]	**10.2**	**4.0**	**N/A**	10.6	4.0	N/A
Supplementary leverage[(7)]	**8.9**	**N/A**	**N/A**	9.2	N/A	N/A
Capital One Bank (USA), N.A.:						
Common equity Tier 1 capital[(3)]	**12.3%**	**4.5%**	**6.5%**	12.2%	4.5%	6.5%
Tier 1 capital[(4)]	**12.3**	**6.0**	**8.0**	12.2	6.0	8.0
Total capital[(5)]	**15.2**	**8.0**	**10.0**	15.2	8.0	10.0
Tier 1 leverage[(6)]	**10.7**	**4.0**	**5.0**	10.8	4.0	5.0
Supplementary leverage[(7)]	**8.8**	**N/A**	**N/A**	9.0	N/A	N/A
Capital One, N.A.:						
Common equity Tier 1 capital[(3)]	**11.4%**	**4.5%**	**6.5%**	11.8%	4.5%	6.5%
Tier 1 capital[(4)]	**11.4**	**6.0**	**8.0**	11.8	6.0	8.0
Total capital[(5)]	**12.6**	**8.0**	**10.0**	12.9	8.0	10.0
Tier 1 leverage[(6)]	**8.2**	**4.0**	**5.0**	8.8	4.0	5.0
Supplementary leverage[(7)]	**7.4**	**N/A**	**N/A**	7.9	N/A	N/A

(1) Capital ratios are calculated based on the Basel III Standardized Approach framework, subject to applicable transition provisions, such as the inclusion of the unrealized gains and losses on securities available for sale included in accumulated other comprehensive income ("AOCI") and adjustments related to intangible assets other than goodwill. The inclusion of AOCI and the adjustments related to intangible assets are phased-in at 40% for 2015, 60% for 2016, 80% for 2017 and 100% for 2018.

(2) Ratios as of June 30, 2016 are preliminary. As we continue to validate our data, the calculations are subject to change until we file our June 30, 2016 Form FR Y-9C—Consolidated Financial Statements for Holding Companies and Call Reports.

(3) Common equity Tier 1 capital ratio is a regulatory capital measure calculated based on common equity Tier 1 capital divided by risk-weighted assets.

(4) Tier 1 capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by risk-weighted assets.

(5) Total capital ratio is a regulatory capital measure calculated based on total capital divided by risk-weighted assets.

(6) Tier 1 leverage ratio is a regulatory capital measure calculated based on Tier 1 capital divided by average assets, after certain adjustments.

(7) Supplementary leverage ratio is a regulatory capital measure calculated based on Tier 1 capital divided by total leverage exposure.

The Company exceeded the minimum capital requirements and each of the Banks exceeded the minimum regulatory requirements and were "well-capitalized" under PCA requirements as of both June 30, 2016 and December 31, 2015.

The Final Basel III Capital Rule requires banks to maintain a capital conservation buffer of common equity Tier 1 capital of 2.5% above the regulatory minimum ratio and an incremental countercyclical capital buffer of up to 2.5% of common equity Tier 1 capital to be set at the discretion of the U.S. banking regulators (currently zero percent as of June 30, 2016). Both the capital conservation buffer and the countercyclical capital buffer (if applicable) will be phased-in over a transition period of four years commencing on January 1, 2016. The applicable combined capital conservation buffer and countercyclical capital buffer is 0.625% in 2016.

A common equity Tier 1 capital ratio below the regulatory minimum ratio and the combined capital conservation buffer and the countercyclical buffer (if applicable) might restrict a bank's ability to distribute capital and make discretionary bonus payments. As of June 30, 2016, the Company, COBNA and CONA are all above the combined threshold.

Additionally, banks designated as Globally Systemically Important Banks ("GSIBs") are subject to an additional regulatory capital surcharge above the combined capital conservation and countercyclical capital buffers established by the Final Basel III Capital Rule. We are currently not designated as a GSIB and therefore not subject to this surcharge.

The following table compares our common equity Tier 1 capital and risk-weighted assets as of June 30, 2016, subject to applicable transition provisions, to our estimated fully phased-in common equity Tier 1 capital and risk-weighted assets, as it applies for Advanced Approaches banks like us that have not yet exited parallel run. Our estimated common equity Tier 1 capital ratio under the fully phased-in Basel III Standardized Approach is based on our interpretations, expectations and assumptions of relevant regulations, as well as interpretations provided by our regulators, and is subject to change based on changes to future regulations and interpretations. As we continue to engage with our regulators, there could be further changes to the calculation.

Table 16: Estimated Common Equity Tier 1 Capital Ratio under Fully Phased-In Basel III Standardized Approach[1]

(Dollars in millions)	June 30, 2016
Common equity Tier 1 capital under Basel III Standardized Approach	**$ 29,486**
Adjustments related to AOCI[2]	**(91)**
Adjustments related to intangibles[2]	**(322)**
Estimated common equity Tier 1 capital under fully phased-in Basel III Standardized Approach	**$ 29,073**
Risk-weighted assets under Basel III Standardized Approach	**$ 269,667**
Adjustments for fully phased-in Basel III Standardized Approach[3]	**59**
Estimated risk-weighted assets under fully phased-in Basel III Standardized Approach	**$ 269,726**
Estimated common equity Tier 1 capital ratio under fully phased-in Basel III Standardized Approach[4]	**10.8%**

(1) Estimated common equity Tier 1 capital ratio under the fully phased-in Basel III Standardized Approach is a non-GAAP financial measure.

(2) Assumes adjustments are fully phased-in.

(3) Adjustments include higher risk weights for items that are included in capital based on the threshold deduction approach, such as mortgage servicing assets and deferred tax assets. The adjustments also include removal of risk weights for items that are deducted from common equity Tier 1 capital.

(4) Calculated by dividing estimated common equity Tier 1 capital by estimated risk-weighted assets, which are both calculated under the Basel III Standardized Approach, as it applies when fully phased-in for Advanced Approaches banks that have not yet exited parallel run.

Under the Final Basel III Capital Rule, when we complete our parallel run for the Advanced Approaches, our minimum risk-based capital requirement will be the greater of the Basel III Standardized Approach and the Basel III Advanced Approaches. See "Part I—Item 1. Business—Supervision and Regulation" in our 2015 Form 10-K for additional information. Once we exit parallel run, based on clarification of the Final Basel III Capital Rule from our regulators, any amount by which our expected credit losses exceed eligible credit reserves, as each term is defined under the Final Basel III Capital Rule, will be deducted from our Basel III Standardized Approach numerator, subject to transition provisions. Inclusive of this impact, based on current capital rules and our business mix, we estimate that our Basel III Advanced Approaches ratios will be lower than our Basel III Standardized Approach ratios. However, there is uncertainty whether this will remain the case in light of potential changes to the United States capital rules.

Capital Planning and Regulatory Stress Testing

On April 5, 2016, we submitted our capital plan to the Federal Reserve as part of the 2016 Comprehensive Capital Analysis and Review ("CCAR") cycle. On June 29, 2016, the Federal Reserve informed us that they had 'no objection' to our CCAR 2016 Capital Plan submission. As a result of this non-objection to our capital plan, the Board of Directors authorized the repurchase of up to $2.5 billion of shares of our common stock from the third quarter of 2016 through the end of the second quarter of 2017, in addition to share repurchases related to employee compensation. The Board of Directors also authorized the quarterly dividend on our common stock of $0.40 per share. For the description of the regulatory capital planning rules we are subject to, see "Part I—Item 1. Business—Supervision and Regulation" in our 2015 Form 10-K.

Dividend Policy and Stock Purchases

On July 28, 2016, the Board of Directors of the Company declared a quarterly common stock dividend of $0.40 per share. The dividend is payable on August 18, 2016 to stockholders of record at the close of the business on August 8, 2016. The Board of Directors also approved quarterly dividends on the Company's 6.00% fixed-rate non-cumulative Series B perpetual preferred stock, the Company's 6.25% fixed-rate non-cumulative Series C perpetual preferred stock, the Company's 6.70% fixed-rate non-cumulative Series D perpetual preferred stock, and the Company's 6.20% fixed-rate non-cumulative Series F perpetual preferred stock. These dividends are payable on September 1, 2016 to stockholders of record at the close of business on August 17, 2016. Based on these declarations, the Company will pay approximately $203 million in common equity dividends and approximately $37 million in total preferred dividends in the third quarter of 2016. Under the terms of the Company's outstanding preferred stock, the Company's ability to pay dividends on, make distributions with respect to, or to repurchase, redeem or acquire its common stock or any preferred stock ranking on parity with or junior to the preferred stock, is subject to restrictions in the event that the Company does not declare and either pay or set aside a sum sufficient for payment of dividends on the preferred stock for the immediately preceding dividend period.

We paid common stock dividends of $0.40 per share in the second quarter of 2016. We paid preferred stock dividends of $15.00 per share on the outstanding shares of our Series B Preferred Stock; $15.625 per share on the outstanding shares of our Series C Preferred Stock; $16.75 per share on the outstanding shares of our Series D Preferred Stock; $27.75 per share on the outstanding shares of our Series E Preferred Stock and $15.50 per share on the outstanding shares of our Series F Preferred Stock during the second quarter of 2016.

The declaration and payment of dividends to our stockholders, as well as the amount thereof, are subject to the discretion of our Board of Directors and depend upon our results of operations, financial condition, capital levels, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. As a bank holding company ("BHC"), our ability to pay dividends is largely dependent upon the receipt of dividends or other payments from our subsidiaries. Regulatory restrictions exist that limit the ability of the Banks to transfer funds to our BHC. As of June 30, 2016, funds available for dividend payments from COBNA and CONA were $3.0 billion and $1.6 billion, respectively. There can be no assurance that we will declare and pay any dividends to stockholders.

Consistent with our 2015 Stock Repurchase Program, our Board of Directors authorized the repurchase of up to $3.125 billion of shares of common stock beginning in the second quarter of 2015 through the end of the second quarter of 2016. On February 17, 2016, we announced that our Board of Directors authorized the repurchase of up to an additional $300 million of shares of common stock through the end of the second quarter of 2016 under the 2015 Stock Repurchase Program. We notified the Federal Reserve of our intention to engage in additional share repurchases and the Federal Reserve did not object. We completed the 2015 Stock Repurchase Program in the second quarter of 2016.

The timing and exact amount of any future common stock repurchases will depend on various factors, including market conditions, opportunities for growth, our capital position and amount of retained earnings. Our stock repurchase program does not include specific price targets, may be executed through open market purchases or privately negotiated transactions, including utilizing Rule 10b5-1 programs, and may be suspended at any time. For additional information on dividends and stock repurchases, see "Part I—Item 1. Business—Supervision and Regulation—Dividends, Stock Repurchases and Transfer of Funds" in our 2015 Form 10-K.

RISK MANAGEMENT

Overview

We use a risk framework to provide an overall enterprise-wide approach for effectively managing risk. We execute against our risk framework with the "Three Lines of Defense" risk management model to demonstrate and structure the roles, responsibilities and accountabilities in the organization for taking and managing risk.

The "First Line of Defense" is comprised of the business areas that through their day-to-day business activities take risk on our behalf. As the business owner, the first line is responsible for identifying, assessing, managing and controlling that risk. This principle places ultimate accountability for the management of risks and ownership of risk decisions with the CEO and business heads. The "Second Line of Defense" provides oversight of first line risk taking and management, and is primarily comprised of our Risk Management organization. The second line assists in determining risk appetite and the strategies, policies and structures for managing risks. The second line is both an 'expert advisor' to the first line and an 'effective challenger' of first line risk activities. The "Third Line of Defense" is comprised of our Internal Audit and Credit Review functions. The third line provides independent and objective assurance to senior management and to the Board of Directors that first and second line risk management and internal control systems and its governance processes are well-designed and working as intended.

The risk framework is also used to guide design of risk programs and performance of risk activity within each risk category and across the entire enterprise. When the elements of the framework are executed effectively, we operate according to our expectations for strong risk management.

There are eight elements that comprise the risk framework:

- Establish Governance Processes, Accountabilities and Risk Appetites
- Identify and Assess Risks and Ownership
- Develop and Operate Controls, Monitoring and Mitigation Plans
- Test and Detect Control Gaps and Perform Corrective Action
- Escalate Key Risks and Gaps to Executive Management and, when appropriate, the Board of Directors
- Calculate and Allocate Capital in Alignment with Risk Management and Measurement Processes (including Stress Testing)
- Support with the Right Culture, Talent and Skills
- Enabled by the Right Data, Infrastructure and Programs

We provide additional discussion of our risk management principles, roles and responsibilities, framework and risk appetite under "MD&A—Risk Management" in our 2015 Form 10-K.

CREDIT RISK PROFILE

Our loan portfolio accounts for the substantial majority of our credit risk exposure. Our lending activities are governed under our credit policy and are subject to independent review and approval. Below we provide information about the composition of our loan portfolio, key concentrations and credit performance metrics.

We also engage in certain non-lending activities that may give rise to credit and counterparty settlement risk, including the purchase of securities for our investment securities portfolio, entering into derivative transactions to manage our market risk exposure and to accommodate customers, short-term advances on syndication activity (including bridge financing transactions we have underwritten), certain operational cash balances in other financial institutions, foreign exchange transactions and customer overdrafts. We provide additional information on credit risk related to our investment securities portfolio under "MD&A—Consolidated Balance Sheets Analysis—Investment Securities" and credit risk related to derivative transactions in "Note 9—Derivative Instruments and Hedging Activities."

Loans Held for Investment Portfolio Composition

We provide a variety of lending products. Our primary products include credit cards, auto loans, home loans and commercial lending products. For information on our lending policies and procedures, including our underwriting criteria for our primary loan products, see "MD&A—Credit Risk Profile" in our 2015 Form 10-K.

Our loan portfolio consists of loans held for investment, including loans held in our consolidated trusts, and loans held for sale. Table 17 presents the composition of our portfolio of loans held for investment, including PCI loans, by portfolio segment as of June 30, 2016 and December 31, 2015. Table 17 and the credit metrics presented in this section exclude loans held for sale, which are carried at lower of cost or fair value and totaled $1.2 billion and $904 million as of June 30, 2016 and December 31, 2015, respectively.

Table 17: Loans Held for Investment Portfolio Composition

	June 30, 2016		December 31, 2015	
(Dollars in millions)	Loans	% of Total	Loans	% of Total
Credit Card:				
Domestic credit card[(1)]	**$ 88,581**	**37.8%**	$ 87,939	38.2%
International credit card	**8,323**	**3.5**	8,186	3.6
Total credit card	**96,904**	**41.3**	96,125	41.8
Consumer Banking:				
Auto	**44,502**	**19.0**	41,549	18.1
Home loan	**23,358**	**10.0**	25,227	11.0
Retail banking	**3,555**	**1.5**	3,596	1.5
Total consumer banking	**71,415**	**30.5**	70,372	30.6
Commercial Banking:				
Commercial and multifamily real estate	**26,341**	**11.2**	25,518	11.1
Commercial and industrial	**39,313**	**16.8**	37,135	16.2
Total commercial lending	**65,654**	**28.0**	62,653	27.3
Small-ticket commercial real estate	**548**	**0.2**	613	0.3
Total commercial banking	**66,202**	**28.2**	63,266	27.6
Other loans	**82**	**—**	88	—
Total loans held for investment	**$ 234,603**	**100.0%**	$ 229,851	100.0%

(1) Includes installment loans of $11 million and $16 million as of June 30, 2016 and December 31, 2015, respectively.

Commercial Loans

For purposes of portfolio risk management, we aggregate our commercial loan portfolio according to market segmentation primarily based on standard industry codes. Table 18 summarizes our commercial loans held for investment portfolio by industry classification as of June 30, 2016 and December 31, 2015.

Table 18: Commercial Loans by Industry[(1)]

(Percentage of portfolio)	June 30, 2016	December 31, 2015
Real estate	**39%**	39%
Healthcare	**15**	15
Finance and insurance	**13**	12
Oil and gas[(2)]	**5**	5
Business services	**5**	4
Public administration	**4**	4
Educational services	**4**	4
Construction and land	**3**	4
Retail trade	**3**	3
Transportation[(3)]	**2**	3
Other	**7**	7
Total	**100%**	100%

(1) Industry categories are based on our interpretation of the North American Industry Classification System codes as they pertain to each individual loan.

(2) In addition to loans outstanding, we also have unfunded lending commitments of approximately $2.7 billion and $3.4 billion to oil and gas companies as of June 30, 2016 and December 31, 2015, respectively. For information on our total unfunded lending commitments to extend credit see "Note 4—Loans" .

(3) Includes our taxi medallion lending portfolio among other portfolios.

Purchased Credit-Impaired Loans

Our portfolio of loans includes certain of our consumer and commercial loans acquired in business acquisitions that were recorded at fair value at acquisition and subsequently accounted for using the guidance for accounting for PCI loans and debt securities, which is based upon expected cash flows. These PCI loans totaled $17.4 billion as of June 30, 2016 compared to $19.5 billion as of December 31, 2015. See "MD&A—Glossary and Acronyms" for the definition of "PCI loans."

The difference between the fair value at acquisition and expected cash flows represents the accretable yield, which is recognized in interest income over the life of the loans. The difference between the contractual payments on the loans and expected cash flows represents the nonaccretable difference or the amount of principal and interest not considered collectible, which incorporates future expected credit losses over the life of the loans. We regularly update our estimate of expected principal and interest to be collected from these loans and evaluate the results for each accounting pool that was established at acquisition based on loans with common risk characteristics. Probable decreases in expected cash flows would trigger the recognition of an allowance for loan and lease losses through our provision for credit losses. Probable and significant increases in expected cash flows would first reverse any previously recorded allowance for loan and lease losses established subsequent to acquisition, with any remaining increase in expected cash flows recognized prospectively in interest income over the remaining estimated life of the underlying loans. See "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K for additional information on PCI loans.

Home Loans

The majority of our home loan portfolio are PCI loans acquired from the ING Direct and CCB acquisitions, representing 71% and 73% of our total home loan portfolio as of June 30, 2016 and December 31, 2015, respectively. See "MD&A—Glossary and Acronyms" for the definition of ING Direct and CCB acquisitions. The expected cash flows for the PCI loans in our home loan portfolio are significantly impacted by future expectations of home prices and interest rates. Decreases in expected cash flows that result from declining conditions, particularly associated with these variables, could result in an increase in the allowance for loan and lease losses and reduction in accretable yield. Charge-offs on these loans are not recorded until the expected credit losses within the nonaccretable difference are depleted. In addition, PCI loans are not classified as delinquent or nonperforming as we expect to collect our net investment in these loans and the nonaccretable difference is expected to absorb the majority of the losses associated with these loans.

Table 19 presents our total home loan portfolio and the break out of the PCI loans and remaining loans within our home loan portfolio by lien priority.

Table 19: Home Loans—Risk Profile by Lien Priority

	June 30, 2016					
	Home Loans		PCI Loans		Total Home Loans	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total
Lien type:						
1st lien	**$ 5,808**	**24.9%**	**$ 16,262**	**69.6%**	**$ 22,070**	**94.5%**
2nd lien	**992**	**4.2**	**296**	**1.3**	**1,288**	**5.5**
Total	**$ 6,800**	**29.1%**	**$ 16,558**	**70.9%**	**$ 23,358**	**100.0%**

	December 31, 2015					
	Home Loans		PCI Loans		Total Home Loans	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total
Lien type:						
1st lien	$ 5,705	22.6%	$ 18,207	72.2%	$ 23,912	94.8%
2nd lien	995	4.0	320	1.2	1,315	5.2
Total	$ 6,700	26.6%	$ 18,527	73.4%	$ 25,227	100.0%

See “Note 4—Loans” in this Report for additional credit quality information. See “Note 1—Summary of Significant Accounting Policies” in our 2015 Form 10-K for information on our accounting policies for PCI loans, delinquent loans, nonperforming loans, net charge-offs and troubled debt restructurings (“TDRs”) for each of our loan categories.

Table 20 provides a sensitivity analysis of PCI loans in our home loan portfolio as of June 30, 2016. The analysis reflects a hypothetical decline of 10% in the home price index and its impact on lifetime future cash flow expectations, accretable yield and allowance for loan and lease losses. Any significant economic events or variables not considered could impact results that are presented below.

Table 20: Sensitivity Analysis—PCI Home Loans[1]

(Dollars in millions)	June 30, 2016	Estimated Impact Increase (Decrease)
Expected cash flows	**$ 19,899**	**$ (49)**
Accretable yield	**3,368**	**78**
Allowance for loan and lease losses	**27**	**127**

(1) Changes in the accretable yield would be recognized in interest income in our consolidated statements of income over the life of the loans. Changes in the allowance for loan and lease losses would be recognized immediately in the provision for credit losses in the consolidated statements of income.

Credit Risk Measurement

We closely monitor economic conditions and loan performance trends to assess and manage our exposure to credit risk. Key metrics we track in evaluating the credit quality of our loan portfolio include delinquency and nonperforming asset rates, as well as net charge-off rates and our internal risk ratings of larger balance commercial loans. Trends in delinquency rates are a primary indicator of credit risk within our consumer loan portfolios, as changes in delinquency rates provide an early warning of changes in credit quality. The primary indicator of credit risk in our commercial loan portfolios is our internal risk ratings. Because we generally classify loans that have been delinquent for an extended period of time and other loans with significant risk of loss as nonperforming, the level of nonperforming assets represents another indicator of the potential for future credit losses. In addition to delinquency rates, the geographic distribution of our loans provides insight as to the credit quality of the portfolio based on regional economic conditions.

We underwrite most consumer loans using proprietary models, which are typically based on credit bureau data, including borrower credit scores, along with application information and, where applicable, collateral and deal structure data. We continuously adjust our management of credit lines and collection strategies based on customer behavior and risk profile changes. We also use borrower credit scores for subprime classification, for competitive benchmarking and, in some cases, to drive product segmentation decisions.

The following table provides details on the credit scores of our domestic card loans held for investment and auto loan portfolios as of June 30, 2016, December 31, 2015 and June 30, 2015.

Table 21: Credit Score Distribution

(Percentage of portfolio)	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**
Domestic credit card—Refreshed FICO scores:(1)			
Greater than 660	**65%**	66%	67%
660 or below	**35**	34	33
Total	**100%**	100%	100%
Auto—At origination FICO scores:(2)			
Greater than 660	**51%**	51%	49%
621 - 660	**17**	17	17
620 or below	**32**	32	34
Total	**100%**	100%	100%

(1) Credit scores generally represent Fair Isaac Corporation ("FICO") scores. These scores are obtained from one of the major credit bureaus at origination and are refreshed monthly thereafter. We approximate non-FICO credit scores to comparable FICO scores for consistency purposes. Balances for which no credit score is available or the credit score is invalid are included in the 660 or below category.

(2) Credit scores represent FICO scores. These scores are obtained from three credit bureaus at the time of application and are not refreshed thereafter. The FICO score distribution is based on the average scores. Balances for which no credit score is available or the credit score is invalid are included in the 620 or below category.

We present information in the section below on the credit performance of our loan portfolio, including the key metrics we use in tracking changes in the credit quality of our loan portfolio.

See "Note 4—Loans" in this Report for additional credit quality information. Also, see "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K for information on our accounting policies for delinquent and nonperforming loans, net charge-offs and TDRs for each of our loan categories.

Delinquency Rates

We consider the entire balance of an account to be delinquent if the minimum required payment is not received by the customer's due date, measured at the reporting date. Our 30+ day delinquency metrics include all loans held for investment that are 30 or more days past due, whereas our 30+ day performing delinquency metrics include loans that are 30 or more days past due but are currently classified as performing and accruing interest. The 30+ day delinquency and 30+ day performing delinquency metrics are the same for domestic credit card loans, as we continue to classify the substantial majority of domestic credit card loans as performing until the account is charged off, typically when the account is 180 days past due. See "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K for information on our policies for classifying loans as nonperforming for each of our loan categories. We provide additional information on our credit quality metrics above under "MD&A—Business Segment Financial Performance."

Table 22 presents our 30+ day performing delinquency rates and 30+ day delinquency rates of our portfolio of loans held for investment, including PCI loans, by portfolio segment, as of June 30, 2016 and December 31, 2015.

Table 22: 30+ Day Delinquencies

	June 30, 2016				December 31, 2015			
	30+ Day Performing Delinquencies		30+ Day Delinquencies		30+ Day Performing Delinquencies		30+ Day Delinquencies	
(Dollars in millions)	Amount	Rate[(1)]	Amount	Rate[(1)]	Amount	Rate[(1)]	Amount	Rate[(1)]
Credit Card:								
Domestic credit card	**$ 2,780**	**3.14%**	**$ 2,780**	**3.14%**	$ 2,985	3.39%	$ 2,985	3.39%
International credit card	**270**	**3.24**	**304**	**3.65**	244	2.98	283	3.46
Total credit card	**3,050**	**3.15**	**3,084**	**3.18**	3,229	3.36	3,268	3.40
Consumer Banking:								
Auto	**2,488**	**5.59**	**2,659**	**5.97**	2,781	6.69	3,000	7.22
Home loan[(2)]	**33**	**0.14**	**204**	**0.87**	40	0.16	235	0.93
Retail banking	**22**	**0.62**	**45**	**1.29**	28	0.76	49	1.36
Total consumer banking[(2)]	**2,543**	**3.56**	**2,908**	**4.07**	2,849	4.05	3,284	4.67
Commercial Banking:								
Commercial and multifamily real estate	**17**	**0.06**	**24**	**0.09**	34	0.13	38	0.15
Commercial and industrial	**179**	**0.45**	**522**	**1.33**	66	0.18	288	0.78
Total commercial lending	**196**	**0.30**	**546**	**0.83**	100	0.16	326	0.52
Small-ticket commercial real estate	**3**	**0.60**	**11**	**2.08**	2	0.37	6	1.04
Total commercial banking	**199**	**0.30**	**557**	**0.84**	102	0.16	332	0.52
Other loans	**3**	**3.32**	**8**	**9.87**	3	3.61	11	11.98
Total	**$ 5,795**	**2.47**	**$ 6,557**	**2.79**	$ 6,183	2.69	$ 6,895	3.00

(1) Calculated by loan category by dividing 30+ day delinquent loans as of the end of the period by period-end loans held for investment for the specified loan category, including PCI loans as applicable.

(2) Excluding the impact of PCI loans, the 30+ day performing delinquency rate for our home loan and total consumer banking portfolios was 0.48% and 4.64%, respectively, as of June 30, 2016, and 0.60% and 5.50%, respectively, as of December 31, 2015. Excluding the impact of PCI loans, the 30+ day delinquency rate for our home loan and total consumer banking portfolios was 3.00% and 5.30%, respectively, as of June 30, 2016, and 3.50% and 6.34%, respectively, as of December 31, 2015.

Table 23 presents an aging and geography of 30+ day delinquent loans included in the above table.

Table 23: Aging and Geography of 30+ Day Delinquent Loans

	June 30, 2016		December 31, 2015	
(Dollars in millions)	Amount	% of Total Loans[1]	Amount	% of Total Loans[1]
Total loans held for investment	**$ 234,603**	**100.00%**	$ 229,851	100.00%
Delinquency status:				
30 – 59 days	**$ 2,970**	**1.26%**	$ 3,069	1.33%
60 – 89 days	**1,577**	**0.67**	1,668	0.73
≥ 90 days	**2,010**	**0.86**	2,158	0.94
Total	**$ 6,557**	**2.79%**	$ 6,895	3.00%
Geographic region:				
Domestic	**$ 6,253**	**2.66%**	$ 6,612	2.88%
International	**304**	**0.13**	283	0.12
Total	**$ 6,557**	**2.79%**	$ 6,895	3.00%

[1] Calculated by dividing loans in each delinquency status category or geographic region as of the end of the period by the total period-end loans held for investment, including PCI loans.

Table 24 summarizes loans that were 90+ days delinquent as to interest or principal and still accruing interest as of June 30, 2016 and December 31, 2015. These loans consist primarily of credit card accounts between 90 days and 179 days past due. As permitted by regulatory guidance issued by the Federal Financial Institutions Examination Council (“FFIEC”), we continue to accrue interest and fees on domestic credit card loans through the date of charge-off, which is typically in the period the account becomes 180 days past due. While domestic credit card loans typically remain on accrual status until the loan is charged off, we reduce the balance of our credit card receivables by the amount of finance charges and fees billed but not expected to be collected and exclude this amount from revenue.

Table 24: 90+ Day Delinquent Loans Accruing Interest

	June 30, 2016		December 31, 2015	
(Dollars in millions)	Amount	% of Total Loans[1]	Amount	% of Total Loans[1]
Loan category:				
Credit card	**$ 1,316**	**1.36%**	$ 1,500	1.56%
Consumer banking	**1**	**0.00**	—	0.00
Commercial banking	**6**	**0.01**	5	0.01
Total	**$ 1,323**	**0.56**	$ 1,505	0.65
Geographic region:				
Domestic	**$ 1,232**	**0.54**	$ 1,426	0.64
International	**91**	**1.10**	79	0.96
Total	**$ 1,323**	**0.56**	$ 1,505	0.65

[1] Delinquency rates are calculated for each loan category by dividing 90+ day delinquent loans accruing interest by period-end loans held for investment for the specified loan category.

Nonperforming Loans and Nonperforming Assets

Nonperforming assets consist of nonperforming loans, foreclosed properties and repossessed assets and the net realizable value of auto loans that have been charged off as a result of a bankruptcy. Nonperforming loans include loans that have been placed on nonaccrual status. See “Note 1—Summary of Significant Accounting Policies” in our 2015 Form 10-K for information on our policies for classifying loans as nonperforming for each of our loan categories.

Table 25 presents comparative information on nonperforming loans, by portfolio segment, and other nonperforming assets as of June 30, 2016 and December 31, 2015. We do not classify loans held for sale as nonperforming, as they are recorded at the lower of cost or fair value. We provide additional information on our credit quality metrics above under "MD&A—Business Segment Financial Performance."

Table 25: Nonperforming Loans and Other Nonperforming Assets[1]

	June 30, 2016		December 31, 2015	
(Dollars in millions)	Amount	% of Total Loans HFI	Amount	% of Total Loans HFI
Nonperforming loans held for investment:				
Credit Card:				
International credit card	**$ 44**	**0.53%**	$ 53	0.65%
Total credit card	**44**	**0.05**	53	0.06
Consumer Banking:				
Auto	**170**	**0.38**	219	0.53
Home loan[2]	**289**	**1.24**	311	1.23
Retail banking	**32**	**0.89**	28	0.77
Total consumer banking[2]	**491**	**0.69**	558	0.79
Commercial Banking:				
Commercial and multifamily real estate	**26**	**0.10**	7	0.03
Commercial and industrial	**1,015**	**2.58**	538	1.45
Total commercial lending	**1,041**	**1.59**	545	0.87
Small-ticket commercial real estate	**9**	**1.59**	5	0.83
Total commercial banking	**1,050**	**1.59**	550	0.87
Other loans	**10**	**11.48**	9	9.42
Total nonperforming loans held for investment[3]	**$ 1,595**	**0.68**	$ 1,170	0.51
Other nonperforming assets:[4]				
Foreclosed property[5]	**$ 99**	**0.04**	$ 126	0.05
Other assets[6]	**180**	**0.08**	198	0.09
Total other nonperforming assets	**279**	**0.12**	324	0.14
Total nonperforming assets	**$ 1,874**	**0.80**	$ 1,494	0.65

(1) We recognized interest income for loans classified as nonperforming of $14 million in both the first six months of 2016 and 2015. Interest income foregone related to nonperforming loans was $36 million and $28 million in the first six months of 2016 and 2015, respectively. Foregone interest income represents the amount of interest income that would have been recorded during the period for nonperforming loans as of the end of the period had the loans performed according to their contractual terms.

(2) Excluding the impact of PCI loans, the nonperforming loan rates for our home loan and total consumer banking portfolios were 4.25% and 0.90%, respectively, as of June 30, 2016, compared to 4.68% and 1.08%, respectively, as of December 31, 2015.

(3) Excluding the impact of domestic credit card loans, nonperforming loans as a percentage of total loans held for investment was 1.09% and 0.83% as of June 30, 2016 and December 31, 2015, respectively.

(4) The denominator used in calculating the nonperforming asset ratios consists of total loans held for investment and total other nonperforming assets.

(5) Includes acquired REOs of $75 million and $101 million as of June 30, 2016 and December 31, 2015, respectively.

(6) Includes the net realizable value of auto loans that have been charged off as a result of a bankruptcy and repossessed assets obtained in satisfaction of auto loans.

Net Charge-Offs

Net charge-offs consist of the unpaid principal balance of loans held for investment that we determine to be uncollectible, net of recovered amounts. We charge off loans as a reduction to the allowance for loan and lease losses when we determine the loan is uncollectible and record subsequent recoveries of previously charged off amounts as increases to the allowance for loan and lease losses. We exclude accrued and unpaid finance charges and fees and certain fraud losses from charge-offs. Generally costs to recover charged-off loans are recorded as collection expenses and included in our consolidated statements of income as a component of other non-interest expense as incurred. Our charge-off policy for loans varies based on the loan type. See "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K for information on our charge-off policy for each of our loan categories.

Table 26 presents our net charge-off amounts and rates, by portfolio segment, in the second quarter and first six months of 2016 and 2015.

Table 26: Net Charge-Offs (Recoveries)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]
Credit Card:								
Domestic credit card	**$ 874**	**4.07%**	$ 650	3.42%	**$ 1,761**	**4.12%**	$ 1,314	3.49%
International credit card	**75**	**3.54**	53	2.65	**138**	**3.39**	108	2.73
Total credit card	**949**	**4.02**	703	3.35	**1,899**	**4.05**	1,422	3.42
Consumer Banking:								
Auto	**130**	**1.20**	121	1.22	**298**	**1.39**	269	1.38
Home loan[2]	**5**	**0.09**	3	0.04	**8**	**0.07**	5	0.03
Retail banking	**11**	**1.26**	12	1.39	**23**	**1.31**	21	1.18
Total consumer banking[2]	**146**	**0.83**	136	0.76	**329**	**0.93**	295	0.83
Commercial Banking:								
Commercial and multifamily real estate	**(1)**	**(0.02)**	(2)	(0.04)	**(2)**	**(0.02)**	(4)	(0.03)
Commercial and industrial	**60**	**0.62**	9	0.13	**107**	**0.56**	13	0.09
Total commercial lending	**59**	**0.37**	7	0.05	**105**	**0.33**	9	0.03
Small-ticket commercial real estate	**1**	**0.33**	0	0.15	**1**	**0.23**	1	0.32
Total commercial banking	**60**	**0.37**	7	0.05	**106**	**0.33**	10	0.04
Other loans	**0**	**(3.06)**	0	(0.79)	**(1)**	**(3.46)**	0	0.44
Total net charge-offs	**$ 1,155**	**2.01**	$ 846	1.64	**$ 2,333**	**2.04**	$ 1,727	1.68
Average loans held for investment	**$ 230,379**		$ 206,337		**$ 228,557**		$ 205,768	

(1) Calculated for each loan category by dividing annualized net charge-offs by average loans held for investment for the period.

(2) Excluding the impact of PCI loans, the net charge-off rates for our home loan and total consumer banking portfolios were 0.31% and 1.09%, respectively, for the three months ended June 30, 2016, compared to 0.16% and 1.09%, respectively, for the three months ended June 30, 2015; and 0.24% and 1.24%, respectively, for the six months ended June 30, 2016, compared to 0.13% and 1.19%, respectively, for the six months ended June 30, 2015.

For information regarding management's expectations of net charge-offs, see "MD&A—Business Segment Expectations."

Troubled Debt Restructurings

As part of our loss mitigation efforts, we may provide short-term (three to twelve months) or long-term (greater than twelve months) modifications to a borrower experiencing financial difficulty to improve long-term collectability of the loan and to avoid the need for foreclosure or repossession of collateral.

Table 27 presents our recorded investment of loans modified in TDRs as of June 30, 2016 and December 31, 2015. It excludes loan modifications that do not meet the definition of a TDR and PCI loans, which we track and report separately.

Table 27: Troubled Debt Restructurings

	June 30, 2016		December 31, 2015	
(Dollars in millions)	**Amount**	**% of Total Modifications**	**Amount**	**% of Total Modifications**
Credit card	**$ 649**	**31.5%**	$ 666	36.7%
Consumer banking:				
Auto	**494**	**24.0**	488	26.8
Home loan	**235**	**11.4**	229	12.6
Retail banking	**40**	**2.0**	42	2.3
Total consumer banking	**769**	**37.4**	759	41.7
Commercial banking	**641**	**31.1**	392	21.6
Total	**$ 2,059**	**100.0%**	$ 1,817	100.0%
Status of TDRs:				
Performing	**$ 1,461**	**71.0%**	$ 1,367	75.2%
Nonperforming	**598**	**29.0**	450	24.8
Total	**$ 2,059**	**100.0%**	$ 1,817	100.0%

In the Credit Card business, the majority of our credit card loans modified in TDRs involve reducing the interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months. The interest rate in effect immediately prior to the loan modification is used as the effective interest rate for purposes of measuring impairment using the present value of expected cash flows. In some cases, the interest rate on a credit card account automatically increases due to non-payment, late payment or similar events. In all cases, we cancel the customer's available line of credit on the credit card. If the customer does not comply with the modified payment terms, then the credit card loan agreement may revert to its original payment terms, likely resulting in any loan outstanding reflected in the appropriate delinquency category, and charged off in accordance with our standard charge-off policy.

In the Consumer Banking business, the majority of our loans modified in TDRs receive an extension, an interest rate reduction or principal reduction, or a combination of both. In addition, TDRs also occur in connection with bankruptcy of the borrower. In certain bankruptcy discharges, the loan is written down to the collateral value and the charged off amount is reported as principal reduction. Their impairment is determined using the present value of expected cash flows or a collateral evaluation for certain auto and home loans where the collateral value is lower than the recorded investment.

In the Commercial Banking business, the majority of loans modified in TDRs receive an extension, with a portion of these loans receiving an interest rate reduction. The impairment on modified commercial loans is generally determined based on the underlying collateral value. We provide additional information on modified loans accounted for as TDRs, including the performance of those loans subsequent to modification, in "Note 4—Loans."

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due from the borrower in accordance with the original contractual terms of the loan. Generally, we report loans as impaired based on the method for measuring impairment in accordance with applicable accounting guidance. Loans defined as individually impaired include larger balance commercial nonperforming loans and TDRs. Loans held for sale are not reported as impaired, as these loans are recorded at lower of cost or fair value. Impaired loans also exclude PCI loans accounted for based on expected cash flows because this accounting methodology takes into consideration future credit losses expected to be incurred.

Impaired loans, including TDRs, totaled $3.0 billion and $2.5 billion as of June 30, 2016 and December 31, 2015, respectively. Modified TDR loans accounted for $2.1 billion and $1.8 billion of impaired loans as of June 30, 2016 and December 31, 2015, respectively. We provide additional information on our impaired loans, including the allowance for loan and lease losses established for these loans, in "Note 4—Loans" and "Note 5—Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments."

Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments

Our allowance for loan and lease losses represents management's best estimate of incurred loan and lease credit losses inherent in our held for investment portfolio as of each balance sheet date. The allowance for loan and lease losses is increased through the provision for credit losses and reduced by net charge-offs. We provide additional information on the methodologies and key assumptions used in determining our allowance for loan and lease losses under "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K.

Our allowance for loan and lease losses increased by $751 million to $5.9 billion as of June 30, 2016 from December 31, 2015. The allowance coverage ratio increased by 28 basis points to 2.51% as of June 30, 2016 from December 31, 2015. The increase in the allowance for loan and lease losses was primarily driven by continued domestic card and auto loan growth and the effects of growth leading to an increasing overall loss rate, and continued adverse industry conditions impacting our oil and gas and taxi medallion lending portfolios in our Commercial Banking business.

Table 28 presents changes in our allowance for loan and lease losses and reserve for unfunded lending commitments for the second quarter and first six months of 2016 and 2015, and details by portfolio segment the provision for credit losses, charge-offs and recoveries recognized in our consolidated statements of income.

Table 28: Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments Activity

	Three Months Ended June 30, 2016									
	Credit Card			Consumer Banking						
(Dollars in millions)	Domestic Card	International Card	Total Credit Card	Auto	Home Loan	Retail Banking	Total Consumer Banking	Commercial Banking	Other	Total
Allowance for loan and lease losses:										
Balance as of March 31, 2016	$ 3,440	$ 345	$ 3,785	$ 772	$ 64	$ 78	$ 914	$ 714	$ 3	$ 5,416
Provision (benefit) for loan and lease losses	**1,164**	**97**	**1,261**	**191**	**(1)**	**14**	**204**	**185**	**(1)**	**1,649**
Charge-offs	**(1,102)**	**(113)**	**(1,215)**	**(227)**	**(7)**	**(14)**	**(248)**	**(64)**	**(1)**	**(1,528)**
Recoveries	**228**	**38**	**266**	**97**	**2**	**3**	**102**	**4**	**1**	**373**
Net charge-offs	**(874)**	**(75)**	**(949)**	**(130)**	**(5)**	**(11)**	**(146)**	**(60)**	**—**	**(1,155)**
Other changes[1]	**—**	**(11)**	**(11)**	**—**	**—**	**—**	**—**	**(18)**	**—**	**(29)**
Balance as of June 30, 2016	**3,730**	**356**	**4,086**	**833**	**58**	**81**	**972**	**821**	**2**	**5,881**
Reserve for unfunded lending commitments:										
Balance as of March 31, 2016	—	—	—	—	—	8	8	218	—	226
Provision (benefit) for losses on unfunded lending commitments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(57)**	**—**	**(57)**
Balance as of June 30, 2016	**—**	**—**	**—**	**—**	**—**	**8**	**8**	**161**	**—**	**169**
Combined allowance and reserve as of June 30, 2016	**$ 3,730**	**$ 356**	**$ 4,086**	**$ 833**	**$ 58**	**$ 89**	**$ 980**	**$ 982**	**$ 2**	**$ 6,050**

	Six Months Ended June 30, 2016									
	Credit Card			Consumer Banking						
(Dollars in millions)	Domestic Card	International Card	Total Credit Card	Auto	Home Loan	Retail Banking	Total Consumer Banking	Commercial Banking	Other	Total
Allowance for loan and lease losses:										
Balance as of December 31, 2015	$ 3,355	$ 299	$ 3,654	$ 726	$ 70	$ 72	$ 868	$ 604	$ 4	$ 5,130
Provision (benefit) for loan and lease losses	**2,136**	**196**	**2,332**	**405**	**(4)**	**32**	**433**	**356**	**(3)**	**3,118**
Charge-offs	**(2,225)**	**(212)**	**(2,437)**	**(496)**	**(12)**	**(31)**	**(539)**	**(112)**	**(2)**	**(3,090)**
Recoveries	**464**	**74**	**538**	**198**	**4**	**8**	**210**	**6**	**3**	**757**
Net charge-offs	**(1,761)**	**(138)**	**(1,899)**	**(298)**	**(8)**	**(23)**	**(329)**	**(106)**	**1**	**(2,333)**
Other changes[1]	**—**	**(1)**	**(1)**	**—**	**—**	**—**	**—**	**(33)**	**—**	**(34)**
Balance as of June 30, 2016	**3,730**	**356**	**4,086**	**833**	**58**	**81**	**972**	**821**	**2**	**5,881**
Reserve for unfunded lending commitments:										
Balance as of December 31, 2015	—	—	—	—	—	7	7	161	—	168
Provision (benefit) for losses on unfunded lending commitments	**—**	**—**	**—**	**—**	**—**	**1**	**1**	**—**	**—**	**1**
Balance as of June 30, 2016	**—**	**—**	**—**	**—**	**—**	**8**	**8**	**161**	**—**	**169**
Combined allowance and reserve as of June 30, 2016	**$ 3,730**	**$ 356**	**$ 4,086**	**$ 833**	**$ 58**	**$ 89**	**$ 980**	**$ 982**	**$ 2**	**$ 6,050**

(Dollars in millions)	Three Months Ended June 30, 2015									
	Credit Card			Consumer Banking						
	Domestic Card	International Card	Total Credit Card	Auto	Home Loan	Retail Banking	Total Consumer Banking	Commercial Banking	Other	Total
Allowance for loan and lease losses:										
Balance as of March 31, 2015	$ 2,824	$ 306	$ 3,130	$ 697	$ 68	$ 61	$ 826	$ 444	$ 5	$ 4,405
Provision (benefit) for loan and lease losses	853	42	895	168	—	17	185	35	—	1,115
Charge-offs	(890)	(98)	(988)	(203)	(5)	(17)	(225)	(11)	(2)	(1,226)
Recoveries	240	45	285	82	2	5	89	4	2	380
Net charge-offs	(650)	(53)	(703)	(121)	(3)	(12)	(136)	(7)	—	(846)
Other changes[1]	(9)	11	2	—	—	—	—	—	—	2
Balance as of June 30, 2015	3,018	306	3,324	744	65	66	875	472	5	4,676
Reserve for unfunded lending commitments:										
Balance as of March 31, 2015	—	—	—	—	—	7	7	114	—	121
Provision (benefit) for losses on unfunded lending commitments	—	—	—	—	—	—	—	14	—	14
Balance as of June 30, 2015	—	—	—	—	—	7	7	128	—	135
Combined allowance and reserve as of June 30, 2015	$ 3,018	$ 306	$ 3,324	$ 744	$ 65	$ 73	$ 882	$ 600	$ 5	$ 4,811

(Dollars in millions)	Six Months Ended June 30, 2015									
	Credit Card			Consumer Banking						
	Domestic Card	International Card	Total Credit Card	Auto	Home Loan	Retail Banking	Total Consumer Banking	Commercial Banking	Other	Total
Allowance for loan and lease losses:										
Balance as of December 31, 2014	$ 2,878	$ 326	$ 3,204	$ 661	$ 62	$ 56	$ 779	$ 395	$ 5	$ 4,383
Provision (benefit) for loan and lease losses	1,463	101	1,564	352	8	31	391	87	—	2,042
Charge-offs	(1,814)	(196)	(2,010)	(436)	(9)	(30)	(475)	(20)	(5)	(2,510)
Recoveries	500	88	588	167	4	9	180	10	5	783
Net charge-offs	(1,314)	(108)	(1,422)	(269)	(5)	(21)	(295)	(10)	—	(1,727)
Other changes[1]	(9)	(13)	(22)	—	—	—	—	—	—	(22)
Balance as of June 30, 2015	3,018	306	3,324	744	65	66	875	472	5	4,676
Reserve for unfunded lending commitments:										
Balance as of December 31, 2014	—	—	—	—	—	7	7	106	—	113
Provision (benefit) for losses on unfunded lending commitments	—	—	—	—	—	—	—	22	—	22
Balance as of June 30, 2015	—	—	—	—	—	7	7	128	—	135
Combined allowance and reserve as of June 30, 2015	$ 3,018	$ 306	$ 3,324	$ 744	$ 65	$ 73	$ 882	$ 600	$ 5	$ 4,811

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[1] Represents foreign currency translation adjustments and the net impact of loan transfers and sales.

Table 29 presents the allowance coverage ratios as of June 30, 2016 and December 31, 2015.

Table 29: Allowance Coverage Ratios

	June 30, 2016	December 31, 2015
Total allowance coverage ratio:		
Allowance for loan and lease losses as a % of loans held for investment	**2.51%**	2.23%
Allowance coverage ratios by loan category:[1]		
Credit card (30+ day delinquent loans)	**132.52**	111.81
Consumer banking (30+ day delinquent loans)	**33.39**	26.42
Commercial banking (nonperforming loans)	**78.19**	109.76

[1] Calculated based on the total allowance for loan and lease losses divided by the outstanding balance of loans held for investment within the specified loan category.

LIQUIDITY RISK PROFILE

We have established liquidity practices that are intended to ensure that we have sufficient asset-based liquidity to withstand the potential impact of deposit attrition or diminished liquidity in the funding markets. Our practices are intended to maintain adequate liquidity reserves to cover our funding requirements as well as any potential deposit run-off and maintain access to diversified funding sources to avoid over-dependence on volatile, less reliable funding markets. Our liquidity reserves consist of readily-marketable or pledgable assets which can be used as a source of liquidity, if needed.

Table 30 below presents the composition of our liquidity reserves as of June 30, 2016 and December 31, 2015.

Table 30: Liquidity Reserves

(Dollars in millions)	June 30, 2016	December 31, 2015
Cash and cash equivalents	**$ 7,149**	$ 8,023
Investment securities available for sale, at fair value	**39,960**	39,061
Investment securities held to maturity, at fair value	**26,799**	25,317
Total investment securities portfolio[1][2]	**66,759**	64,378
FHLB borrowing capacity secured by loans	**26,313**	30,661
Outstanding FHLB advances and letters of credit secured by loans	**(20,659)**	(20,514)
Investment securities encumbered for Public Funds and others	**(10,411)**	(10,602)
Total liquidity reserves	**$ 69,151**	$ 71,946

[1] The weighted-average life of our securities was approximately 5.0 years and 5.8 years as of June 30, 2016 and December 31, 2015, respectively.

[2] As part of our liquidity management strategy, we pledge securities to secure borrowings from counterparties and to secure trust and public deposits and other purposes as required or permitted by law. We pledged securities available for sale with a fair value of $1.2 billion and $1.7 billion as of June 30, 2016 and December 31, 2015, respectively. We also pledged securities held to maturity with a carrying value of $8.5 billion and $8.7 billion as of June 30, 2016 and December 31, 2015, respectively.

Our liquidity reserves decreased by $2.8 billion to $69.2 billion as of June 30, 2016 from December 31, 2015. This decrease was primarily attributable to reduced FHLB borrowing capacity due to the exclusion of certain loans pledged. See "MD&A—Risk Management" in our 2015 Form 10-K for additional information on our management of liquidity risk.

We are subject to the Final Liquidity Coverage Rules ("Final LCR Rule") issued by the Federal Banking Agencies. The Final LCR Rule came into effect in January 2015 and requires us to calculate the LCR as of the last business day of each month from January 2015 until July 2016, and then on a daily basis thereafter. The minimum LCR standard is phased in as follows: 90% by January 1, 2016; and 100% by January 1, 2017 and thereafter. At June 30, 2016, we exceeded the fully phased-in LCR requirement. The calculation and the underlying components are based on our interpretations, expectations and assumptions of relevant regulations, as well as interpretations provided by our regulators, and are subject to change based on changes to future regulations and interpretations.

Borrowing Capacity

We filed a shelf registration statement with the U.S. Securities and Exchange Commission ("SEC") on March 31, 2015, which expires in March 2018. Under this shelf registration, we may periodically offer and sell an indeterminate aggregate amount of senior or subordinated debt securities, preferred stock, depositary shares, common stock, purchase contracts, warrants and units. There is no limit under this shelf registration to the amount or number of such securities that we may offer and sell, subject to market conditions. We also filed a new shelf registration statement with the SEC on January 12, 2016, which expires in January 2019 and allows us to periodically offer and sell up to $23 billion of securitized debt obligations.

In addition to our issuance capacity under the shelf registration statements, we also have access to FHLB advances with a maximum borrowing capacity of $26.3 billion as of June 30, 2016, of which $5.7 billion was still available to us to borrow as of June 30, 2016. We pledged loan collateral with an outstanding balance of $31.2 billion to secure this borrowing capacity. The ability to draw down funding is based on membership status and the amount is dependent upon the Banks' ability to post collateral. Our FHLB membership is secured by our investment in FHLB stock of $886 million and $884 million as of June 30, 2016 and December 31, 2015, respectively, which was determined in part based on our outstanding advances. We also have access to the Federal Reserve Discount Window through which we had a borrowing capacity of $9.9 billion as of June 30, 2016. Although available, we do not view this borrowing capacity as a primary source of liquidity and did not utilize it during 2015 or the first six months of 2016.

Funding

The Company's primary source of funding comes from deposits, which provide us with a stable and relatively low cost of funds. In addition to deposits, the Company raises funding through the issuance of senior and subordinated notes, FHLB advances secured by certain portions of our loan and securities portfolios, the issuance of securitized debt obligations, the issuance of brokered deposits, the federal funds purchased and other borrowings. A key objective in our use of these markets is to maintain access to a diversified mix of wholesale funding sources.

Deposits

Table 31 provides the composition of deposits as of June 30, 2016 and December 31, 2015, as well as a comparison of average balances, interest expense and average deposit rates for the three and six months ended June 30, 2016 and 2015.

Table 31: Deposit Composition and Average Deposit Rates

(Dollars in millions)	**June 30, 2016**	December 31, 2015
Non-interest-bearing deposits	**$ 25,424**	$ 25,847
Interest-bearing checking accounts(1)	**45,268**	44,720
Saving deposits(2)	**136,401**	134,075
Time deposits less than $100,000	**10,756**	10,347
Total core deposits	**217,849**	214,989
Time deposits of $100,000 or more	**2,556**	1,889
Foreign time deposits(3)	**654**	843
Total deposits	**$ 221,059**	$ 217,721

(Dollars in millions)	Three Months Ended June 30, 2016 Average Balance	2016 Interest Expense	2016 Average Deposit Rate	2015 Average Balance	2015 Interest Expense	2015 Average Deposit Rate
Interest-bearing checking accounts(1)	**$ 45,786**	**$ 55**	**0.48%**	$ 42,974	$ 52	0.48%
Saving deposits(2)	**136,067**	**198**	**0.58**	132,332	196	0.59
Time deposits less than $100,000	**10,640**	**30**	**1.13**	5,571	14	1.01
Total interest-bearing core deposits	**192,493**	**283**	**0.59**	180,877	262	0.58
Time deposits of $100,000 or more	**2,467**	**9**	**1.46**	2,023	9	1.78
Foreign time deposits(3)	**681**	**—**	**—**	1,046	1	0.38
Total interest-bearing deposits	**$ 195,641**	**$ 292**	**0.60**	$ 183,946	$ 272	0.59

(Dollars in millions)	Six Months Ended June 30, 2016 Average Balance	2016 Interest Expense	2016 Average Deposit Rate	2015 Average Balance	2015 Interest Expense	2015 Average Deposit Rate
Interest-bearing checking accounts(1)	**$ 45,882**	**$ 110**	**0.48%**	$ 42,644	$ 103	0.49%
Saving deposits(2)	**135,372**	**389**	**0.57**	131,958	387	0.59
Time deposits less than $100,000	**10,597**	**59**	**1.12**	5,727	31	1.09
Total interest-bearing core deposits	**191,851**	**558**	**0.58**	180,329	521	0.58
Time deposits of $100,000 or more	**2,339**	**16**	**1.39**	2,116	20	1.88
Foreign time deposits(3)	**693**	**1**	**0.34**	1,030	2	0.34
Total interest-bearing deposits	**$ 194,883**	**$ 575**	**0.59**	$ 183,475	$ 543	0.59

(1) Includes Negotiable Order of Withdrawal (“NOW”) accounts.

(2) Includes Money Market Deposit Accounts (“MMDA”).

(3) Substantially all of our foreign time deposits were greater than $100,000 as of both June 30, 2016 and December 31, 2015.

Our deposits include brokered deposits, which we obtained through the use of third-party intermediaries. Those brokered deposits are reported as interest-bearing checking, saving deposits and time deposits in the above table and totaled $11.8 billion and $12.0 billion as of June 30, 2016 and December 31, 2015, respectively.

The FDIC limits the acceptance of brokered deposits by “well-capitalized” insured depository institutions and, with a waiver from the FDIC, by “adequately capitalized” institutions. COBNA and CONA were “well-capitalized,” as defined under the federal banking regulatory guidelines, as of both June 30, 2016 and December 31, 2015. See “Part I—Item 1. Business—Supervision and Regulation” for additional information.

Short-Term Borrowings and Long-Term Debt

We access the capital markets to meet our funding needs through the issuance of senior and subordinated notes, securitized debt obligations, and federal funds purchased and securities loaned or sold under agreements to repurchase. In addition, we may utilize short-term and long-term FHLB advances secured by our investment securities, residential home loans, multifamily real estate loans, commercial real estate loans and home equity lines of credit. Substantially all of our long-term FHLB advances are structured with either a one-month or a three-month call option at our discretion.

Our short-term borrowings include those borrowings with an original contractual maturity of one year or less and do not include the current portion of long-term debt. The short-term borrowings, which consist of federal funds purchased and securities loaned or sold under agreements to repurchase, and short-term FHLB advances, increased by $18 million to $999 million as of June 30, 2016 from December 31, 2015.

Our long-term debt, which primarily consists of securitized debt obligations, senior and subordinated notes, and long-term FHLB advances, increased by $48 million to $58.2 billion as of June 30, 2016 from December 31, 2015, as issuances slightly outpaced maturities.

Table 32 displays the maturity profile, based on contractual maturities, of our long-term debt including securitized debt obligations, senior and subordinated notes and other borrowings as of June 30, 2016, and the outstanding balances as of December 31, 2015.

Table 32: Contractual Maturity Profile of Outstanding Long-Term Debt

	June 30, 2016							
(Dollars in millions)	Up to 1 Year	> 1 Year to 2 Years	> 2 Years to 3 Years	> 3 Years to 4 Years	> 4 Years to 5 Years	> 5 Years	Total	December 31, 2015
Securitized debt obligations	$ 4,979	$ 5,018	$ 3,016	$ 1,641	$ 1,131	$ 345	$ 16,130	$ 16,166
Senior and subordinated notes:								
Unsecured senior debt	2,631	3,955	4,670	1,026	—	5,341	17,623	17,757
Fixed unsecured subordinated debt	1,008	—	—	323	—	2,918	4,249	4,080
Total senior and subordinated notes	3,639	3,955	4,670	1,349	—	8,259	21,872	21,837
Other long-term borrowings:								
FHLB advances	31	11	3	—	750	19,352	20,147	20,098
Capital lease obligations	1	1	1	1	1	28	33	33
Total other long-term borrowings	32	12	4	1	751	19,380	20,180	20,131
Total long-term debt[(1)]	$ 8,650	$ 8,985	$ 7,690	$ 2,991	$ 1,882	$ 27,984	$ 58,182	$ 58,134
Percentage of total	15%	16%	13%	5%	3%	48%	100%	100%

(1) Includes unamortized discounts, premiums and other cost basis adjustments, which together result in a net addition of $57 million and a net reduction of $224 million as of June 30, 2016 and December 31, 2015, respectively.

We provide additional information on our short-term borrowings and long-term debt under "MD&A—Consolidated Balance Sheets Analysis—Securitized Debt Obligations," "MD&A—Consolidated Balance Sheets Analysis—Other Debt" and in "Note 8—Deposits and Borrowings."

Credit Ratings

Our credit ratings impact our ability to access capital markets and our non-deposit borrowing costs. Rating agencies base their ratings on numerous factors, including liquidity, capital adequacy, asset quality, quality of earnings and the probability of systemic support. Significant changes in these factors could result in different ratings. Such ratings help to support our cost effective unsecured funding as part of our overall financing programs.

Table 33 provides a summary of the credit ratings for the senior unsecured debt of Capital One Financial Corporation, COBNA and CONA as of June 30, 2016 and December 31, 2015.

Table 33: Senior Unsecured Debt Credit Ratings

	June 30, 2016			December 31, 2015		
	Capital One Financial Corporation	COBNA	CONA	Capital One Financial Corporation	COBNA	CONA
Moody's	Baa1	Baa1	Baa1	Baa1	Baa1	Baa1
S&P	BBB	BBB+	BBB+	BBB	BBB+	BBB+
Fitch	A-	A-	A-	A-	A-	A-

As of July 28, 2016, Moody's, S&P and Fitch have us on a stable outlook.

MARKET RISK PROFILE

Market risk is inherent in the financial instruments associated with our operations and activities, including loans, deposits, securities, short-term borrowings, long-term debt and derivatives. Below we provide additional information about our primary sources of market risk, our market risk management strategies and the measures we use to evaluate our market risk exposure.

Primary Market Risk Exposures

Our primary source of market risk is interest rate risk. We also have exposure to foreign exchange risk.

Interest Rate Risk

Interest rate risk, which represents exposure to instruments whose yield or price varies with the volatility of interest rates, is our most significant source of market risk exposure. Banks are inevitably exposed to interest rate risk due to differences in the timing between the maturities or re-pricing of assets and liabilities.

Foreign Exchange Risk

Foreign exchange risk represents exposure to changes in the values of current holdings and future cash flows denominated in other currencies. Our primary exposure is related to the funding of our non-dollar net investments in our International Card business in the U.K. and Canada. Changes in foreign exchange rates affect the value of non-dollar-denominated equity invested in our foreign operations and impact our AOCI and related capital ratios. Our intercompany funding exposes our consolidated statements of income to foreign exchange transaction risk, while our equity investments in our foreign operations results in translation risk in AOCI. We manage our transaction risk by entering into forward foreign currency derivative contracts to hedge our exposure to variability in cash flows related to foreign currency-denominated intercompany borrowings. In the third quarter of 2014, we began using foreign currency derivative contracts as net investment hedges to manage our AOCI exposure. We apply hedge accounting to both intercompany funding hedges and net investment hedges.

In regard to our non-dollar-denominated equity, we measure our total exposure by regularly tracking the equity value of our net equity invested in our U.K. and Canadian operations . We apply a 30% U.S. dollar appreciation shock against each of our Great British pound (“GBP”) and Canadian dollar (“CAD”) net investment exposures, which we believe approximates a significant adverse foreign exchange movement over a one-year time horizon. Our gross equity exposures were 1.4 billion GBP as of both June 30, 2016 and December 31, 2015, and 751 million CAD and 686 million CAD as of June 30, 2016 and December 31, 2015, respectively.

As a result of our derivative management activities, we believe our net exposure to foreign exchange risk is minimal.

Market Risk Management

We employ several techniques to manage our interest rate and foreign exchange risk, which include, but are not limited to, altering the duration and re-pricing characteristics of our various assets and liabilities through interest rate derivatives and mitigating the foreign exchange exposure of certain non-dollar-denominated equity or transactions through derivatives. Derivatives are one of the primary tools we use in managing interest rate and foreign exchange risk. Our current market risk management policies include the use of derivatives. We execute our derivative contracts in both over-the-counter and exchange-traded derivative markets and have exposure to both bilateral and clearinghouse counterparties. Although the majority of our derivatives are interest rate swaps, we also use a variety of other derivative instruments, including caps, floors, options, futures and forward contracts, to manage both our interest rate and foreign currency risk. The outstanding notional amount of our derivative contracts totaled $119.8 billion as of June 30, 2016, compared to $105.9 billion as of December 31, 2015, driven by an increase in our hedging activities.

Market Risk Measurement

We have risk management policies and limits established by our market risk management policies and approved by the Board of Directors. Our objective is to manage our asset and liability risk position and exposure to market risk in accordance with these policies and prescribed limits based on prevailing market conditions and long-term expectations. Because no single measure can reflect all aspects of market risk, we use various industry standard market risk measurement techniques and analysis to measure, assess and manage the impact of changes in interest rates on our net interest income and our economic value of equity and the impact of changes in foreign exchange rates on our non-dollar-denominated earnings and non-dollar equity investments in foreign operations. We provide additional information below in "Economic Value of Equity."

We consider the impact on both net interest income and economic value of equity in measuring and managing our interest rate risk. Because the federal funds rate was lowered to near zero in December 2008, the rate remained in a target range of 0% to 0.25% until December 2015, and then increased to a range of 0.25% to 0.50% in the first quarter of 2016, we use a 50 basis points decrease as our declining interest rate scenario, since a scenario where interest rates would decline by 200 basis points is unlikely. In scenarios where a 50 basis points decline would result in a rate less than 0%, we assume a rate of 0%. Below we discuss the assumptions used in calculating each of these measures.

Net Interest Income Sensitivity

This sensitivity measure estimates the impact on our projected 12-month base-line interest rate-sensitive revenue resulting from movements in interest rates. Interest rate-sensitive revenue consists of net interest income and certain components of other non-interest income significantly impacted by movements in interest rates, including changes in the fair value of mortgage servicing rights and free-standing interest rate swaps. Adjusted net interest income consists of net interest income and changes in the fair value of mortgage servicing rights, including related derivative hedging activity, and changes in the fair value of free-standing interest rate swaps. In addition to our existing assets and liabilities, we incorporate expected future business growth assumptions, such as loan and deposit growth and pricing, and plans for projected changes in our funding mix in our baseline forecast. In measuring the sensitivity of interest rate movements on our projected interest rate-sensitive revenue, we assume a hypothetical instantaneous parallel shift in the level of interest rates of +200 basis points, +100 basis points, +50 basis points and -50 basis points to spot rates, with the lower rate scenario limited to zero as described above.

Economic Value of Equity

Our economic value of equity sensitivity measure estimates the impact on the net present value of our assets and liabilities, including derivative hedging activity, resulting from movements in interest rates. Our economic value of equity sensitivity measures are calculated based on our existing assets and liabilities, including derivatives, and do not incorporate business growth assumptions or projected plans for funding mix changes. In measuring the sensitivity of interest rate movements on our economic value of equity, we assume a hypothetical instantaneous parallel shift in the level of interest rates of +200 basis points, +100 basis points, +50 basis points and -50 basis points to spot rates, with the lower rate scenario limited to zero as described above.

During the second quarter of 2016, we updated our projected deposit re-pricing assumptions as part of our regular evaluation and assessment of the assumptions and models used to measure our interest rate risk sensitivity. This update reduced our estimated asset sensitivity as shown in our projected base-line net interest income measure and had a minor impact to our economic value of equity measures.

Table 34 shows the estimated percentage impact on our projected base-line net interest income and economic value of equity, calculated under both our revised and previous methodologies described above, as of June 30, 2016 and December 31, 2015.

Table 34: Interest Rate Sensitivity Analysis

	Previous Methodology			Revised Methodology		
	June 30, 2016	**March 31, 2016**	**December 31, 2015**	**June 30, 2016**	**March 31, 2016**	**December 31, 2015**
Estimated impact on projected base-line net interest income						
+200 basis points	**3.8%**	3.5 %	2.6%	**1.7%**	1.3%	0.3%
+100 basis points	**2.5**	2.2	1.6	**1.9**	1.5	0.8
+50 basis points	**1.7**	1.4	0.9	**1.4**	1.2	0.6
–50 basis points	**(2.0)**	(2.1)	(1.6)	**(1.9)**	(1.9)	(1.4)
Estimated impact on economic value of equity						
+200 basis points	**(0.1)%**	(2.6)%	(5.2)%	**0.3%**	(3.0)%	(4.8)%
+100 basis points	**1.8**	0.2	(1.5)	**1.8**	(0.1)	(1.3)
+50 basis points	**1.4**	0.6	(0.4)	**1.4**	0.4	(0.3)
–50 basis points	**(2.8)**	(1.7)	(0.6)	**(2.6)**	(1.4)	(0.6)

Our projected net interest income and economic value of equity sensitivity measures were within our policy limits as of June 30, 2016 and December 31, 2015. In addition to these industry standard measures, we will continue to factor into our internal interest rate risk management decisions the potential impact of alternative interest rate scenarios, such as stressed rate shocks as well as steepening and flattening yield curve scenarios.

Limitations of Market Risk Measures

The interest rate risk models that we use in deriving these measures incorporate contractual information, internally-developed assumptions and proprietary modeling methodologies, which project borrower and depositor behavior patterns in certain interest rate environments. Other market inputs, such as interest rates, market prices and interest rate volatility, are also critical components of our interest rate risk measures. We regularly evaluate, update and enhance these assumptions, models and analytical tools as we believe appropriate to reflect our best assessment of the market environment and the expected behavior patterns of our existing assets and liabilities.

There are inherent limitations in any methodology used to estimate the exposure to changes in market interest rates. The sensitivity analysis described above contemplates only certain movements in interest rates and is performed at a particular point in time based on the existing balance sheet and, in some cases, expected future business growth and funding mix assumptions. The strategic actions that management may take to manage our balance sheet may differ significantly from our projections, which could cause our actual earnings and economic value of equity sensitivities to differ substantially from the above sensitivity analysis.

SUPERVISION AND REGULATION

Customer Due Diligence Requirements for Financial Institutions

On May 11, 2016, the U.S. Department of the Treasury's Financial Crimes Enforcement Network issued a final rule entitled "Customer Due Diligence Requirements for Financial Institutions" with an effective date of July 11, 2016 and a full compliance date of May 11, 2018 for all covered financial institutions, including Capital One. The rule made customer due diligence a required, stand-alone part of the anti-money laundering programs financial institutions must maintain under the Bank Secrecy Act. For these purposes, the term "customer due diligence" refers to customer identification and verification, beneficial ownership identification and verification, understanding the nature and purpose of customer relationships to develop a customer risk profile, ongoing monitoring for reporting suspicious transactions, and on a risk-basis, maintaining and updating customer information.

Market Risk Capital Rule

The market risk capital rule supplements both the general risk-based capital rules and the Basel III Advanced Approaches rules by requiring institutions subject to the rule to adjust their risk-based capital ratios to reflect the market risk in their trading activities. The rule applies to institutions with aggregate trading assets and liabilities equal to the lesser of (i) 10% or more of total assets or (ii) $1 billion or more. We will begin calculating capital using the market risk capital rule for positions covered by such rule in the third quarter of 2016. We do not expect that this change will have any material impact on our risk-based capital ratios.

We provide additional information on our Supervision and Regulation in our 2015 Form 10-K and our Quarterly Report on Form 10-Q for the period ended March 31, 2016 under "Part I—Item 1. Business—Supervision and Regulation" and "MD&A—Supervision and Regulation," respectively.

FORWARD-LOOKING STATEMENTS

From time to time, we have made and will make 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 us; earnings per share or other financial measures for us; future financial and operating results; our 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 our 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 our 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;
- financial, legal, regulatory, tax or accounting changes or actions, including the impact of the Dodd-Frank Act and the regulations promulgated thereunder, and other regulatory reforms and regulations governing bank capital and liquidity standards, including Basel-related initiatives and potential changes to financial accounting and reporting standards;
- developments, changes or actions relating to any litigation, governmental investigation or regulatory enforcement action or matter involving us;
- the inability to sustain revenue and earnings growth;
- increases or decreases in interest rates;
- our ability to access the capital markets at attractive rates and terms to capitalize and fund our operations and future growth;
- the success of our marketing efforts in attracting and retaining customers;
- increases or decreases in our 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 we incur and attrition of loan balances;
- the level of future repurchase or indemnification requests we may receive, the actual future performance of mortgage loans relating to such requests, the success rates of claimants against us, any developments in litigation and the actual recoveries we may make on any collateral relating to claims against us;
- the amount and rate of deposit growth;

- changes in the reputation of, or expectations regarding, the financial services industry or us with respect to practices, products or financial condition;
- changes in retail distribution strategies and channels, including in the behavior and expectations of our customers;
- any significant disruption in our operations or technology platform, including security failures or breaches on our business;
- our ability to maintain a compliance and technology infrastructure suitable for the nature of our business;
- our ability to develop digital technology that addresses the needs of our customers, including the challenges relating to rapid significant technological changes;
- our ability to control costs;
- the effectiveness of our risk management strategies;
- the amount of, and rate of growth in, our expenses as our business develops or changes or as it expands into new market areas;
- our ability to execute on our strategic and operational plans;
- the extensive use of models in our business, including those to aggregate and assess various risk exposures and estimate certain financial values;
- any significant disruption of, or loss of public confidence in, the United States mail service affecting our response rates and consumer payments;
- any significant disruption of, or loss of public confidence in, the internet affecting the ability of our customers to access their accounts and conduct banking transactions;
- our ability to recruit and retain talented and experienced personnel;
- changes in the labor and employment markets;
- fraud or misconduct by our customers, employees or business partners;
- competition from providers of products and services that compete with our businesses; and
- other risk factors listed from time to time in reports that we file with the SEC.

Any forward-looking statements made by us or on our behalf speak only as of the date they are made or as of the date indicated, and we do not undertake any obligation to update forward-looking statements as a result of new information, future events or otherwise. You should carefully consider the factors discussed above in evaluating these forward-looking statements. For additional information on factors that could materially influence forward-looking statements included in this Report, see the risk factors set forth under “Part I—Item 1A. Risk Factors” in our 2015 Form 10-K.

SUPPLEMENTAL TABLE

We report certain non-GAAP measures that management uses in assessing its capital adequacy and the level of return generated. These non-GAAP measures are individually identified and calculations are explained in footnotes below the table. These metrics are considered key financial performance measures for the Company. We believe they provide useful insight to investors and users of our financial information in assessing the results of the Company.

The table below provide the details of the calculation of our non-GAAP measures and regulatory capital. While some of our non-GAAP measures are widely used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies, they may not be comparable to similarly titled measures reported by other companies.

Table A—Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures

(Dollars in millions)	**June 30, 2016**	**December 31, 2015**
Period End Tangible Common Equity		
Period end stockholders’ equity	**$ 48,108**	$ 47,284
Goodwill and intangible assets[1]	**(15,553)**	(15,701)
Noncumulative perpetual preferred stock[2]	**(3,294)**	(3,294)
Tangible common equity	**$ 29,261**	$ 28,289
Quarterly Average Tangible Common Equity		
Average stockholders' equity	**$ 48,934**	$ 48,712
Average goodwill and intangible assets[1]	**(15,585)**	(15,316)
Average noncumulative perpetual preferred stock[2]	**(3,294)**	(3,294)
Average tangible common equity	**$ 30,055**	$ 30,102
Period End Tangible Assets		
Period end assets	**$ 339,117**	$ 334,048
Goodwill and intangible assets[1]	**(15,553)**	(15,701)
Tangible assets	**$ 323,564**	$ 318,347
Quarterly Average Tangible Assets		
Average assets	**$ 334,479**	$ 323,354
Average goodwill and intangible assets[1]	**(15,585)**	(15,316)
Average tangible assets	**$ 318,894**	$ 308,038
Non-GAAP Ratio		
TCE[3]	**9.0%**	8.9%
Capital Ratios		
Common equity Tier 1 capital[4]	**10.9%**	11.1%
Tier 1 capital[5]	**12.2**	12.4
Total capital[6]	**14.4**	14.6
Tier 1 leverage[7]	**10.2**	10.6
Supplementary leverage[8]	**8.9**	9.2
Regulatory Capital Metrics		
Risk-weighted assets	**$ 269,667**	$ 265,739
Average assets for Tier 1 leverage ratio	**319,968**	309,037
Total leverage exposure for supplementary leverage ratio	**369,536**	357,794

(Dollars in millions)	June 30, 2016	December 31, 2015
Regulatory Capital Under Basel III Standardized Approach		
Common equity excluding AOCI	**$ 44,572**	$ 44,606
Adjustments:		
AOCI[9][10]	**332**	(254)
Goodwill[1]	**(14,296)**	(14,296)
Intangible assets[1][10]	**(483)**	(393)
Other	**(639)**	(119)
Common equity Tier 1 capital	**29,486**	29,544
Tier 1 capital instruments[2]	**3,294**	3,294
Additional Tier 1 capital adjustments	**—**	—
Tier 1 capital	**32,780**	32,838
Tier 2 capital instruments	**2,582**	2,654
Qualifying allowance for loan and lease losses	**3,404**	3,346
Additional Tier 2 capital adjustments	**1**	—
Tier 2 capital	**5,987**	6,000
Total capital[11]	**$ 38,767**	$ 38,838

(1) Includes impact of related deferred taxes.

(2) Includes related surplus.

(3) Tangible common equity ratio is a non-GAAP measure calculated based on TCE divided by tangible assets.

(4) Common equity Tier 1 capital ratio is a regulatory capital measure calculated based on common equity Tier 1 capital divided by risk-weighted assets.

(5) Tier 1 capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by risk-weighted assets.

(6) Total capital ratio is a regulatory capital measure calculated based on total capital divided by risk-weighted assets.

(7) Tier 1 leverage ratio is a regulatory capital measure calculated based on Tier 1 capital divided by average assets, after certain adjustments.

(8) Supplementary leverage ratio is a regulatory capital measure calculated based on Tier 1 capital divided by total leverage exposure. See "MD&A—Capital Management" for additional information.

(9) Amounts presented are net of tax.

(10) Amounts based on transition provisions for regulatory capital deductions and adjustments of 40% for 2015 and 60% for 2016.

(11) Total capital equals the sum of Tier 1 capital and Tier 2 capital.

Glossary and Acronyms

2015 Stock Repurchase Program: On March 11, 2015, we announced that our Board of Directors had authorized the repurchase of up to $3.125 billion of shares of our common stock beginning in the second quarter of 2015 through the end of the second quarter of 2016. On February 17, 2016 we announced that our Board of Directors had authorized the repurchase of up to an additional $300 million of shares of common stock through the end of the second quarter of 2016.

2016 Stock Repurchase Program: On June 29, 2016, we announced that our Board of Directors had authorized the repurchase of up to $2.5 billion of shares of our common stock from the third quarter of 2016 through the end of the second quarter of 2017.

Annual Report: References to our "2015 Form 10-K" or "2015 Annual Report" are to our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Banks: Refers to COBNA and CONA.

Basel Committee: The Basel Committee on Banking Supervision.

Basel III Advanced Approaches: The Basel III Advanced Approaches is mandatory for those institutions with consolidated total assets of $250 billion or more or consolidated total on-balance sheet foreign exposure of $10 billion or more. The Final Basel III Capital Rule modified the Advanced Approaches version of Basel II to create the Basel III Advanced Approaches.

Basel III Standardized Approach: The Final Basel III Capital Rule modified Basel I to create the Basel III Standardized Approach, which requires for Basel III Advanced Approaches banking organizations that have yet to exit parallel run to use the Basel III Standardized Approach to calculate regulatory capital, including capital ratios, subject to transition provisions.

Capital One: Capital One Financial Corporation and its subsidiaries.

Carrying value (with respect to loans)**:** The amount at which a loan is recorded on the consolidated balance sheets. For loans recorded at amortized cost, carrying value is the unpaid principal balance net of unamortized deferred loan origination fees and costs, and unamortized purchase premium or discount. For loans that are or have been on nonaccrual status, the carrying value is also reduced by any net charge-offs that have been recorded and the amount of interest payments applied as a reduction of principal under the cost recovery method. For credit card loans, the carrying value also includes interest that has been billed to the customer. For loans classified as held for sale, carrying value is the lower of carrying value as described in the sentences above, or fair value. For PCI loans, the carrying value equals fair value upon acquisition adjusted for subsequent cash collections and yield accreted to date.

CCB: Chevy Chase Bank, F.S.B., which was acquired by the Company in 2009.

COBNA: Capital One Bank (USA), National Association, one of our fully owned subsidiaries, which offers credit and debit card products, other lending products and deposit products.

Common equity Tier 1 capital: Common equity, related surplus and retained earnings less accumulated other comprehensive income net of applicable phase-ins, less goodwill and intangibles net of associated deferred tax liabilities and applicable phase-ins, less other deductions, as defined by regulators.

Company: Capital One Financial Corporation and its subsidiaries.

CONA: Capital One, National Association, one of our fully owned subsidiaries, which offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients.

Credit risk: The risk of loss from an obligor's failure to meet the terms of any contract or otherwise fail to perform as agreed.

Derivative: A contract or agreement whose value is derived from changes in interest rates, foreign exchange rates, prices of securities or commodities, credit worthiness for credit default swaps or financial or commodity indices.

Discontinued operations: The operating results of a component of an entity, as defined by Accounting Standards Codification ("ASC") 205, that are removed from continuing operations when that component has been disposed of or it is management's intention to sell the component.

Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"): Regulatory reform legislation signed into law on July 21, 2010. This law broadly affects the financial services industry and contains numerous provisions aimed at strengthening the sound operation of the financial services sector.

Exchange Act: The Securities Exchange Act of 1934.

eXtensible Business Reporting Language ("XBRL"): A language for the electronic communication of business and financial data.

Federal Banking Agencies: The Federal Reserve, Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation.

Federal Reserve: Board of Governors of the Federal Reserve System.

FICO score: A measure of consumer credit risk provided by credit bureaus, typically produced from statistical modeling software created by Fair Isaac Corporation utilizing data collected by the credit bureaus.

Final Basel III Capital Rule: The Federal Baking Agencies issued a rule in July 2013 implementing the Basel III capital framework developed by the Basel Committee as well as certain Dodd-Frank Act and other capital provisions.

Final LCR Rule: In September 2014, the Federal Banking Agencies issued final rules implementing the Basel III Liquidity Coverage Ratio in the United States. The Final LCR Rule applies to institutions with $250 billion or more in total consolidated assets or $10 billion or more in total consolidated on-balance sheet foreign exposure, and their respective consolidated subsidiary depository institutions with $10 billion or more in total consolidated assets. The LCR is calculated by dividing the amount of an institution's high quality, unencumbered liquid assets by its estimated net cash outflow, as defined and calculated in accordance with Final LCR Rule.

Foreign currency derivative contracts: An agreement to exchange contractual amounts of one currency for another currency at one or more future dates.

Foreign exchange contracts: Contracts that provide for the future receipt or delivery of foreign currency at previously agreed-upon terms.

GreenPoint: Refers to our wholesale mortgage banking unit, GreenPoint Mortgage Funding, Inc., which was closed in 2007.

GSE or **Agency:** A government-sponsored enterprise or agency is a financial services corporation created by the United States Congress. Examples of U.S. government agencies include Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Government National Mortgage Association (Ginnie Mae) and the Federal Home Loan Banks (FHLB).

HFS acquisition: On December 1, 2015, we acquired the Healthcare Financial Services business of General Electric Capital Corporation, which provides financing to companies in various healthcare sectors, including hospitals, senior housing, medical offices, pharmaceuticals, medical devices and healthcare technology.

Impaired loans: A loan is considered impaired when, based on current information and events, it is probable that we will not be able to collect all amounts due from the borrower in accordance with the original contractual terms of the loan.

Inactive Insured Securitizations: Securitizations as to which the monoline bond insurers have not made repurchase-related requests or loan file requests to one of our subsidiaries.

ING Direct acquisition: On February 17, 2012, we completed the acquisition of substantially all of the ING Direct business in the United States ("ING Direct") from ING Groep N.V., ING Bank N.V., ING Direct N.V. and ING Direct Bancorp.

Insured securitizations: Securitizations supported by bond insurance.

Interest rate sensitivity: The exposure to interest rate movements.

Interest rate swaps: Contracts in which a series of interest rate flows in a single currency are exchanged over a prescribed period. Interest rate swaps are the most common type of derivative contract that we use in our asset/liability management activities.

Investment grade: Represents Moody's long-term rating of Baa3 or better; and/or a Standard & Poor's, Fitch or DBRS long-term rating of BBB- or better; or if unrated, an equivalent rating using our internal risk ratings. Instruments that fall below these levels are considered to be non-investment grade.

Investments in qualified affordable housing projects: Capital One invests in private investment funds that make equity investments in multifamily affordable housing properties that provide affordable housing tax credits for these investments. The activities of these entities are financed with a combination of invested equity capital and debt.

Investor entities: Entities that invest in community development entities ("CDE") that provide debt financing to businesses and non-profit entities in low-income and rural communities.

Leverage ratio: Tier 1 capital divided by average assets after certain adjustments, as defined by the regulators.

Liquidity risk: The risk that the Company will not be able to meet its future financial obligations as they come due, or invest in future asset growth because of an inability to obtain funds at a reasonable price within a reasonable time period.

Loan-to-value ("LTV") ratio: The relationship expressed as a percentage, between the principal amount of a loan and the appraised value of the collateral (i.e., residential real estate, autos, etc.) securing the loan.

Managed presentation: A non-GAAP presentation of financial results that includes reclassifications to present revenue on a fully taxable-equivalent basis. Management uses this non-GAAP financial measure at the segment level, because it believes this provides information to enable investors to understand the underlying operational performance and trends of the particular business segment and facilitates a comparison of the business segment with the performance of competitors.

Market risk: The risk that an institution's earnings or the economic value of equity could be adversely impacted by changes in interest rates, foreign exchange rates or other market factors.

Master netting agreement: An agreement between two counterparties that have multiple contracts with each other that provides for the net settlement of all contracts through a single payment in the event of default or termination of any one contract.

Mortgage-backed security ("MBS"): An asset-backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans.

Mortgage servicing rights ("MSR"): The right to service a mortgage loan when the underlying loan is sold or securitized. Servicing includes collections for principal, interest and escrow payments from borrowers and accounting for and remitting principal and interest payments to investors.

Net interest margin: The result of dividing net interest income by average interest-earning assets.

Nonperforming loans and leases: Loans and leases that have been placed on non-accrual status.

North Fork: North Fork Bancorporation, Inc., which was acquired by the Company in 2006.

Operational risk: The risk of loss, capital impairment, adverse customer experience or reputational impact resulting from failure to comply with policies and procedures, failed internal processes or systems, or from external events.

Option-ARM loans: The option-ARM real estate loan product is an adjustable-rate mortgage loan that initially provides the borrower with the monthly option to make a fully-amortizing, interest-only or minimum fixed payment. After the initial payment option period, usually five years, the recalculated minimum payment represents a fully-amortizing principal and interest payment that would effectively repay the loan by the end of its contractual term.

Other-than-temporary impairment ("OTTI"): An impairment charge taken on a security whose fair value has fallen below the carrying value on the balance sheet and its value is not expected to recover through the holding period of the security.

PCI loans: Refers to the loans acquired in a business combination that were recorded at fair value at acquisition and subsequently accounted for based on cash flows expected to be collected in accordance with ASC 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* (formerly known as "Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer,*" commonly referred to as "SOP 03-3"). Acquired loans are considered PCI loans if they have a discount attributable, at least in part, to credit deterioration and they are not specifically scoped out of this guidance. Our PCI loans include a limited portion of commercial loans acquired in the fourth quarter of 2015 in the HFS acquisition and the substantial majority of consumer and commercial loans acquired in the ING Direct and Chevy Chase acquisitions.

The excess of cash flows expected to be collected over the estimated fair value of purchased loans represents the accretable yield, which is recognized into interest income over the life of the loans. The difference between total contractual payments on the loans and all expected cash flows represents the nonaccretable difference or the amount of principal and interest not considered collectible, which incorporates future expected credit losses over the life of the loans. Decreases in expected cash flows from credit deterioration subsequent to acquisition will generally result in an impairment charge recognized in our provision for credit losses and an increase in the allowance for loan and lease losses. Charge-offs are not recorded until the expected credit losses within the nonaccretable difference are depleted. PCI loans are not classified as delinquent or nonperforming as we expect to collect our net investment in these loans and the nonaccretable difference will absorb the majority of the losses associated with these loans. In addition, PCI loans are excluded from impaired loans because the applicable accounting methodology takes into consideration expected future credit losses.

Public Fund deposits: Deposits that are derived from a variety of political subdivisions such as school districts and municipalities.

Purchase volume: Dollar amount of customer purchases, net of returns.

Rating agency: An independent agency that assesses the credit quality and likelihood of default of an issue or issuer and assigns a rating to that issue or issuer.

Recorded investment: The amount of the investment in a loan which includes any direct write-down of the investment.

Repurchase agreement: An instrument used to raise short-term funds whereby securities are sold with an agreement for the seller to buy back the securities at a later date.

Restructuring charges: Charges typically from the consolidation or relocation of operations, and reductions in work force.

Return on average assets: Calculated based on income from continuing operations, net of tax, for the period divided by average total assets for the period.

Return on average common equity: Calculated based on the sum of (i) income from continuing operations, net of tax; (ii) less dividends and undistributed earnings allocated to participating securities; (iii) less preferred stock dividends, for the period, divided by average common equity. Our calculation of return on average common equity may not be comparable to similarly titled measures reported by other companies.

Return on average tangible common equity: Calculated based on the sum of (i) income from continuing operations, net of tax; (ii) less dividends and undistributed earnings allocated to participating securities; and (iii) less preferred stock dividends, for the period, divided by average tangible common equity. Our calculation of return on average tangible common equity may not be comparable to similarly titled measures reported by other companies.

Risk-weighted assets: Consist of on- and off-balance sheet assets that are assigned to one of several broad risk categories and weighted by factors representing their risk and potential for default.

Securitized debt obligations: A type of asset-backed security and structured credit product constructed from a portfolio of fixed-income assets.

Small-ticket commercial real estate: Our small-ticket commercial real estate portfolio is predominantly low- or no-documentation loans with balances generally less than $2 million. This portfolio was originated on a national basis through a broker network and is in a run-off mode.

Subprime: For purposes of lending in our Credit Card business we generally consider FICO scores of 660 or below, or other equivalent risk scores, to be subprime. For purposes of auto lending in our Consumer Banking business we generally consider FICO scores of 620 or below to be subprime.

Tangible common equity ("TCE"): Common equity less goodwill and intangible assets adjusted for deferred tax liabilities associated with non-tax deductible intangible assets and tax deductible goodwill.

Troubled debt restructuring ("TDR"): A TDR is deemed to occur when the Company modifies the contractual terms of a loan agreement by granting a concession to a borrower that is experiencing financial difficulty.

U.K. PPI Reserve: U.K. payment protection insurance customer refund reserve.

U.S. GAAP: Accounting principles generally accepted in the United States of America. Accounting rules and conventions defining acceptable practices in preparing financial statements in the U.S.

Unfunded commitments: Legally binding agreements to provide a defined level of financing until a specified future date.

Variable Interest Entity ("VIE"): An entity that (i) lacks enough equity investment at risk to permit the entity to finance its activities without additional financial support from other parties; (ii) has equity owners that lack the right to make significant decisions affecting the entity's operations; and/or (iii) has equity owners that do not have an obligation to absorb or the right to receive the entity's losses or return.

Acronyms

ABS: Asset-backed security

AFS: Available for sale

AOCI: Accumulated other comprehensive income

ARM: Adjustable rate mortgage

ASC: Accounting Standards Codification

BHC: Bank holding company

bps: Basis points

CAD: Canadian dollar

CCAR: Comprehensive Capital Analysis and Review

CDE: Community development entities

CECL: Current expected credit loss

CIFG: CIFG Assurance North America, Inc. ("U.S. Bank Litigation")

CMBS: Commercial mortgage-backed securities

COEP: Capital One (Europe) plc

COF: Capital One Financial Corporation

CVG: Corporate Valuations Group

Fannie Mae: Federal National Mortgage Association

FASB: Financial Accounting Standards Board

FCA: Financial Conduct Authority

FDIC: Federal Deposit Insurance Corporation

FFIEC: Federal Financial Institutions Examination Council

FHLB: Federal Home Loan Banks

FHFA: Federal Housing Finance Agency

FICO: Fair Isaac Corporation (credit rating)

FIRREA: Financial Institutions Reform, Recovery and Enforcement Act

Fitch: Fitch Ratings

FOS: Financial Ombudsman Service

Freddie Mac: Federal Home Loan Mortgage Corporation

FVC: Fair Value Committee

GBP: Great British pound

GDP: Gross domestic product

Ginnie Mae: Government National Mortgage Association

GSE or **Agency:** Government-sponsored enterprise

GSIB: Globally systemically important banks

HELOCs: Home equity lines of credit

HFI: Held For Investment

HFS: Healthcare Financial Services

LCR: Liquidity coverage ratio

LIBOR: London Interbank Offered Rate

Moody's: Moody's Investors Service

MSR: Mortgage servicing rights

MVG: Model Validation Group

NOW: Negotiable order of withdrawal

OCC: Office of the Comptroller of the Currency

OFAC: Office of Foreign Assets Control

OTC: Over-the-counter

PCA: Prompt corrective action

PCI: Purchased credit-impaired

PCCR: Purchased credit card relationship

PPI: Payment protection insurance

REO: Real estate owned

RMBS: Residential mortgage-backed securities

S&P: Standard & Poor’s

SEC: U.S. Securities and Exchange Commission

TARP: Troubled Asset Relief Program

TCE: Tangible common equity

TDR: Troubled debt restructuring

U.K.: United Kingdom

U.S.: United States of America

VAC: Valuations Advisory Committee

Item 1. Financial Statements and Notes

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in millions, except per share-related data)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Interest income:				
Loans, including loans held for sale	**$ 5,148**	$ 4,531	**$ 10,233**	$ 9,071
Investment securities	**405**	382	**820**	788
Other	**18**	24	**35**	52
Total interest income	**5,571**	4,937	**11,088**	9,911
Interest expense:				
Deposits	**292**	272	**575**	543
Securitized debt obligations	**47**	36	**95**	69
Senior and subordinated notes	**111**	80	**217**	159
Other borrowings	**28**	12	**52**	27
Total interest expense	**478**	400	**939**	798
Net interest income	**5,093**	4,537	**10,149**	9,113
Provision for credit losses	**1,592**	1,129	**3,119**	2,064
Net interest income after provision for credit losses	**3,501**	3,408	**7,030**	7,049
Non-interest income:				
Service charges and other customer-related fees	**371**	429	**775**	866
Interchange fees, net	**616**	567	**1,212**	1,063
Total other-than-temporary impairment	**(1)**	(12)	**(12)**	(21)
Less: Portion of other-than-temporary impairment recorded in AOCI	**(1)**	5	**2**	(1)
Net other-than-temporary impairment recognized in earnings	**(2)**	(7)	**(10)**	(22)
Other	**176**	146	**348**	299
Total non-interest income	**1,161**	1,135	**2,325**	2,206
Non-interest expense:				
Salaries and associate benefits	**1,279**	1,360	**2,549**	2,571
Occupancy and equipment	**465**	439	**923**	874
Marketing	**415**	387	**843**	762
Professional services	**304**	334	**582**	630
Communications and data processing	**262**	208	**505**	410
Amortization of intangibles	**95**	111	**196**	221
Other	**475**	468	**920**	888
Total non-interest expense	**3,295**	3,307	**6,518**	6,356
Income from continuing operations before income taxes	**1,367**	1,236	**2,837**	2,899
Income tax provision	**424**	384	**876**	913
Income from continuing operations, net of tax	**943**	852	**1,961**	1,986
Income (loss) from discontinued operations, net of tax	**(1)**	11	**(6)**	30
Net income	**942**	863	**1,955**	2,016
Dividends and undistributed earnings allocated to participating securities	**(6)**	(4)	**(12)**	(10)
Preferred stock dividends	**(65)**	(29)	**(102)**	(61)
Net income available to common stockholders	**$ 871**	$ 830	**$ 1,841**	$ 1,945
Basic earnings per common share:				
Net income from continuing operations	**$ 1.70**	$ 1.50	**$ 3.57**	$ 3.49
Income (loss) from discontinued operations	**0.00**	0.02	**(0.01)**	0.06
Net income per basic common share	**$ 1.70**	$ 1.52	**$ 3.56**	$ 3.55
Diluted earnings per common share:				
Net income from continuing operations	**$ 1.69**	$ 1.48	**$ 3.53**	$ 3.45
Income (loss) from discontinued operations	**0.00**	0.02	**(0.01)**	0.06
Net income per diluted common share	**$ 1.69**	$ 1.50	**$ 3.52**	$ 3.51
Dividends paid per common share	**$ 0.40**	$ 0.40	**$ 0.80**	$ 0.70

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Net income	**$ 942**	$ 863	**$ 1,955**	$ 2,016
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on securities available for sale	**136**	(166)	**323**	(44)
Net changes in securities held to maturity	**25**	27	**46**	47
Net unrealized gains (losses) on cash flow hedges	**143**	(81)	**520**	81
Foreign currency translation adjustments	**(30)**	35	**(29)**	(49)
Other	**8**	0	**(3)**	(2)
Other comprehensive income (loss), net of tax	**282**	(185)	**857**	33
Comprehensive income	**$ 1,224**	$ 678	**$ 2,812**	$ 2,049

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in millions, except per share data)	June 30, 2016	December 31, 2015
Assets:		
Cash and cash equivalents:		
Cash and due from banks	**$ 3,253**	$ 3,407
Interest-bearing deposits with banks	**3,840**	4,577
Federal funds sold and securities purchased under agreements to resell	**56**	39
Total cash and cash equivalents	**7,149**	8,023
Restricted cash for securitization investors	**265**	1,017
Securities available for sale, at fair value	**39,960**	39,061
Securities held to maturity, at carrying value	**25,120**	24,619
Loans held for investment:		
Unsecuritized loans held for investment	**202,778**	196,068
Loans held in consolidated trusts	**31,825**	33,783
Total loans held for investment	**234,603**	229,851
Allowance for loan and lease losses	**(5,881)**	(5,130)
Net loans held for investment	**228,722**	224,721
Loans held for sale, at lower of cost or fair value	**1,220**	904
Premises and equipment, net	**3,556**	3,584
Interest receivable	**1,236**	1,189
Goodwill	**14,495**	14,480
Other assets	**17,394**	16,450
Total assets	**$ 339,117**	$ 334,048
Liabilities:		
Interest payable	**$ 301**	$ 299
Deposits:		
Non-interest-bearing deposits	**25,424**	25,847
Interest-bearing deposits	**195,635**	191,874
Total deposits	**221,059**	217,721
Securitized debt obligations	**16,130**	16,166
Other debt:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	**999**	981
Senior and subordinated notes	**21,872**	21,837
Other borrowings	**20,180**	20,131
Total other debt	**43,051**	42,949
Other liabilities	**10,468**	9,629
Total liabilities	**291,009**	286,764
Commitments, contingencies and guarantees (see Note 14)		
Stockholders' equity:		
Preferred stock (par value $.01 per share; 50,000,000 shares authorized; 3,375,000 shares issued and outstanding as of both June 30, 2016 and December 31, 2015)	**0**	0
Common stock (par value $.01 per share; 1,000,000,000 shares authorized; 650,649,996 and 648,317,395 shares issued as of June 30, 2016 and December 31,2015, respectively, 505,924,989 and 527,259,920 shares outstanding as of June 30, 2016 and December 31,2015, respectively)	**7**	6
Additional paid-in capital, net	**29,786**	29,655
Retained earnings	**28,479**	27,045
Accumulated other comprehensive income (loss)	**241**	(616)
Treasury stock, at cost (par value $.01 per share; 144,725,007 and 121,057,475 shares as of June 30, 2016 and December 31, 2015, respectively)	**(10,405)**	(8,806)
Total stockholders' equity	**48,108**	47,284
Total liabilities and stockholders' equity	**$ 339,117**	$ 334,048

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

	Preferred Stock		Common Stock						
(Dollars in millions)	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance as of December 31, 2015	3,375,000	$ 0	648,317,395	$ 6	$ 29,655	$ 27,045	$ (616)	$ (8,806)	$ 47,284
Comprehensive income (loss)						**1,955**	**857**		**2,812**
Dividends—common stock			**40,138**	**0**	**3**	**(419)**			**(416)**
Dividends—preferred stock						**(102)**			**(102)**
Purchases of treasury stock								**(1,599)**	**(1,599)**
Issuances of common stock and restricted stock, net of forfeitures			**2,272,263**	**1**	**63**				**64**
Exercise of stock options, tax effects of exercises and restricted stock vesting			**20,200**	**0**	**(13)**				**(13)**
Compensation expense for restricted stock awards, restricted stock units and stock options					**78**				**78**
Balance as of June 30, 2016	**3,375,000**	**$ 0**	**650,649,996**	**$ 7**	**$ 29,786**	**$ 28,479**	**$ 241**	**$ (10,405)**	**$ 48,108**

See Notes to Consolidated Financial Statements.

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CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**
Operating activities:		
Income from continuing operations, net of tax	**$ 1,961**	$ 1,986
Income (loss) from discontinued operations, net of tax	**(6)**	30
Net income	**1,955**	2,016
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for credit losses	**3,119**	2,064
Depreciation and amortization, net	**1,207**	1,012
Net gain on sales of securities available for sale	**(2)**	(1)
Impairment losses on securities available for sale	**10**	22
Gain on sales of loans held for sale	**(57)**	(39)
Stock plan compensation expense	**90**	124
Other	**(10)**	0
Loans held for sale:		
Originations and purchases	**(3,264)**	(3,784)
Proceeds from sales and paydowns	**3,133**	3,562
Changes in operating assets and liabilities:		
Changes in interest receivable	**(48)**	26
Changes in other assets	**(335)**	(707)
Changes in interest payable	**2**	8
Changes in other liabilities	**754**	(20)
Net cash from discontinued operations	**14**	65
Net cash from operating activities	**6,568**	4,348
Investing activities:		
Securities available for sale:		
Purchases	**(6,887)**	(6,035)
Proceeds from paydowns and maturities	**3,737**	3,963
Proceeds from sales	**2,699**	2,313
Securities held to maturity:		
Purchases	**(1,612)**	(2,233)
Proceeds from paydowns and maturities	**1,109**	1,067
Loans:		
Net changes in loans held for investment	**(8,271)**	(3,783)
Principal recoveries of loans previously charged off	**757**	783
Purchases of premises and equipment	**(324)**	(229)
Net cash from other investing activities	**(126)**	(317)
Net cash from investing activities	**(8,918)**	(4,471)
Financing activities:		
Deposits and borrowings:		
Changes in restricted cash for securitization investors	**752**	(19)
Changes in deposits	**3,331**	3,228
Issuance of securitized debt obligations	**1,920**	2,319
Maturities and paydowns of securitized debt obligations	**(2,044)**	(175)
Issuance of senior and subordinated notes and long-term FHLB advances	**14,950**	13,042
Maturities and paydowns of senior and subordinated notes and long-term FHLB advances	**(15,401)**	(2,641)
Changes in other short-term borrowings	**18**	(15,192)
Common stock:		
Net proceeds from issuances	**$ 64**	$ 53
Dividends paid	**(416)**	(385)
Preferred stock:		
Net proceeds from issuances	**0**	988
Dividends paid	**(102)**	(61)
Purchases of treasury stock	**(1,599)**	(1,188)
Proceeds from share-based payment activities	**3**	68
Net cash from financing activities	**1,476**	37
Changes in cash and cash equivalents	**(874)**	(86)
Cash and cash equivalents at beginning of the period	**8,023**	7,242
Cash and cash equivalents at end of the period	**$ 7,149**	$ 7,156
Supplemental cash flow information:		
Non-cash items:		
Net transfers from loans held for investment to loans held for sale	**$ 435**	$ 229
Interest paid	**937**	853
Income tax paid	**1,072**	715

See Notes to Consolidated Financial Statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Capital One Financial Corporation, a Delaware Corporation established in 1994 and headquartered in McLean, Virginia, is a diversified financial services holding company with banking and non-banking subsidiaries. Capital One Financial Corporation and its subsidiaries (the "Company") offer a broad array of financial products and services to consumers, small businesses and commercial clients through branches, the internet and other distribution channels. As of June 30, 2016, our principal subsidiaries included:

- Capital One Bank (USA), National Association ("COBNA"), which offers credit and debit card products, other lending products and deposit products; and
- Capital One, National Association ("CONA"), which offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients.

The Company and its subsidiaries are hereafter collectively referred to as "we," "us" or "our." COBNA and CONA are collectively referred to as the "Banks."

We also offer products outside of the United States of America ("U.S.") principally through Capital One (Europe) plc ("COEP"), an indirect subsidiary of COBNA organized and located in the United Kingdom ("U.K.") and through a branch of COBNA in Canada. COEP has authority, among other things, to provide credit card loans. Our branch of COBNA in Canada also has the authority to provide credit card loans.

Our principal operations are currently organized for management reporting purposes into three major business segments, which are defined based on the products and services provided or the type of customer served: Credit Card, Consumer Banking and Commercial Banking. We provide details on our business segments, the integration of recent acquisitions into our business segments and the allocation methodologies and accounting policies used to derive our business segment results in "Note 13—Business Segments."

On December 1, 2015, we completed the acquisition of the Healthcare Financial Services business of General Electric Capital Corporation ("HFS acquisition"). During the second quarter of 2016, we finalized purchase accounting. Including post-closing purchase price adjustments during the first six months of 2016, total cash consideration for the acquisition was $9.0 billion, including $180 million of cash acquired, and we recognized approximately $9.2 billion in assets, primarily consisting of $8.2 billion in loans, $134 million in intangible assets and $518 million in goodwill.

Basis of Presentation and Use of Estimates

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and in the related disclosures. These estimates are based on information available as of the date of the consolidated financial statements. While management makes its best judgment, actual amounts or results could differ from these estimates. In the opinion of management, all normal, recurring adjustments have been included for a fair statement of this interim financial information. Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

The unaudited consolidated financial statements include the accounts of Capital One Financial Corporation and all other entities in which we have a controlling financial interest. We determine whether we have a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE"). All significant intercompany account balances and transactions have been eliminated.

New Accounting Standards Adopted

Consolidation: Amendments to the Consolidation Analysis

In February 2015, the Financial Accounting Standards Board ("FASB") issued revised guidance for evaluating whether organizations should consolidate certain legal entities such as limited partnerships, limited liability corporations and securitization structures. The guidance also removed the indefinite deferral of specialized guidance for certain investment funds. We adopted the guidance effective in the first quarter of 2016 on a modified retrospective basis. Our adoption of this guidance did not have an impact on our financial condition, results of operations or liquidity. See "Note 6—Variable Interest Entities and Securitizations" for information regarding our involvement with VIEs.

Recently Issued but Not Yet Adopted Accounting Standards

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued revised guidance for impairments on financial instruments. The guidance requires an impairment model (known as the current expected credit loss ["CECL"] model) that is based on expected rather than incurred losses, with an anticipated result of more timely loss recognition. The CECL model applies to loans held for investment, securities held to maturity, lease receivables, financial guarantee contracts and certain unconditional loan commitments. The CECL model will replace our current accounting for purchased credit-impaired ("PCI") and impaired loans. The guidance also amends the available for sale ("AFS") debt securities other-than-temporary impairments ("OTTI") model. Credit losses (and subsequent recoveries) on AFS debt securities will be recorded through an allowance approach, rather than the current U.S. GAAP practice of permanent write-downs for credit losses and accreting positive changes through interest income over time. This guidance will be effective for us on January 1, 2020, with early adoption permitted no earlier than January 1, 2019. We are currently assessing the potential impact on our consolidated financial statements.

Improvements to Employee Share-Based Accounting

In March 2016, the FASB issued revised guidance for accounting for employee share-based payments, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective beginning on January 1, 2017, with early adoption permitted. We do not believe the impact of this guidance will be material to our consolidated financial statements.

Leases

In February 2016, the FASB issued revised guidance for leases. The guidance requires lessees to recognize right of use assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements for all leases, with certain practical expedients. This will be effective for us on January 1, 2019, with early adoption permitted. We are currently assessing the potential impact on our consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued revised guidance for the recognition, measurement and disclosure of revenue from contracts with customers. The guidance is applicable to all entities and, once effective, will replace significant portions of existing industry and transaction-specific revenue recognition rules with a more principles-based recognition model. Most revenue associated with financial instruments, including interest and loan origination fees, is outside the scope of the guidance. Gains and losses on investment securities, derivatives and sales of financial instruments are similarly excluded from the scope. Subsequent to issuance of the revenue recognition guidance, the FASB has issued several updates, most notably that (i) deferred by one year the effective date for revenue recognition guidance to January 1, 2018, with early adoption permitted effective January 1, 2017; (ii) clarified its guidance for performing the principle-versus-agent analysis; and (iii) clarified guidance for identifying performance obligations allowing entities to ignore immaterial promised goods and services in the context of a contract with a customer. Entities can elect to adopt the guidance either on a full or modified retrospective basis. Full retrospective adoption will require a cumulative effect adjustment to retained earnings as of the beginning of the earliest comparative period presented. Modified retrospective adoption will require a cumulative effect adjustment to retained earnings as of the beginning of the reporting period in which the entity first applies the new guidance. We do not plan to early adopt the guidance. We are currently assessing the potential impact of this new guidance on our consolidated financial statements and which transition method we plan to elect.

NOTE 2—DISCONTINUED OPERATIONS

Our discontinued operations consist of the mortgage origination operations of our wholesale mortgage banking unit, GreenPoint Mortgage Funding Inc. ("GreenPoint") and the manufactured housing operations of GreenPoint Credit, LLC, a subsidiary of GreenPoint, both of which were acquired as part of the North Fork Bancorporation, Inc. ("North Fork") acquisition in December 2006. Although the manufactured housing operations were sold to a third party in 2004 prior to our acquisition of North Fork, we acquired certain retained interests and obligations related to those operations as part of the acquisition. Separately, in the third quarter of 2007 we closed the mortgage origination operations of the wholesale mortgage banking unit. The results of both the wholesale banking unit and the manufactured housing operations have been accounted for as discontinued operations and are reported as income or loss from discontinued operations, net of tax, on the consolidated statements of income. We have no significant continuing involvement in these operations.

The following table summarizes the results from discontinued operations for the second quarter and first six months of 2016 and 2015:

Table 2.1: Results of Discontinued Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Non-interest income (expense), net	**$ (2)**	$ 18	**$ (10)**	$ 48
Income (loss) from discontinued operations before income taxes	**(2)**	18	**(10)**	48
Income tax provision (benefit)	**(1)**	7	**(4)**	18
Income (loss) from discontinued operations, net of tax	**$ (1)**	$ 11	**$ (6)**	$ 30

The discontinued mortgage origination operations of our wholesale mortgage banking unit had remaining assets which primarily consisted of a deferred tax asset related to the reserve for representations and warranties on loans previously sold to third parties. We also have contingent obligations to exercise certain mandatory clean-up calls associated with securitization transactions undertaken by the discontinued GreenPoint Credit, LLC manufactured housing operations in the event the third party servicer does not fulfill its obligation to exercise these clean-up calls. See "Note 6—Variable Interest Entities and Securitizations" for information related to our retained interests and obligations associated with GreenPoint Credit, LLC manufactured housing operations, and see "Note 14—Commitments, Contingencies, Guarantees and Others" for information related to reserves we have established for our mortgage representation and warranty exposure.

NOTE 3—INVESTMENT SECURITIES

Our investment portfolio consists primarily of the following: U.S. Treasury securities; U.S. government-sponsored enterprise (“Agency”) and non-agency residential mortgage-backed securities (“RMBS”) and commercial mortgage-backed securities (“CMBS”); other asset-backed securities (“ABS”); and other securities. The carrying value of our investments in U.S. Treasury and Agency securities represented 91% and 90% of our total investment securities as of June 30, 2016 and December 31, 2015, respectively.

The table below presents the overview of our investment securities portfolio as of June 30, 2016 and December 31, 2015.

Table 3.1: Overview of Investment Securities Portfolio

(Dollars in millions)	June 30, 2016	December 31, 2015
Securities available for sale, at fair value	$ 39,960	$ 39,061
Securities held to maturity, at carrying value	25,120	24,619
Total investment securities	$ 65,080	$ 63,680

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of securities available for sale as of June 30, 2016 and December 31, 2015.

Table 3.2: Investment Securities Available for Sale

	June 30, 2016			
(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Fair Value
Investment securities available for sale:				
U.S. Treasury securities	$ 5,140	$ 49	$ 0	$ 5,189
RMBS:				
Agency[2]	24,885	330	(57)	25,158
Non-agency	2,516	355	(14)	2,857
Total RMBS	27,401	685	(71)	28,015
CMBS:				
Agency[2]	3,587	59	(18)	3,628
Non-agency	1,729	56	(3)	1,782
Total CMBS	5,316	115	(21)	5,410
Other ABS[3]	1,000	5	0	1,005
Other securities[4]	337	6	(2)	341
Total investment securities available for sale	$ 39,194	$ 860	$ (94)	$ 39,960

(Dollars in millions)	December 31, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[(1)]	Fair Value
Investment securities available for sale:				
U.S. Treasury securities	$ 4,664	$ 5	$ (9)	$ 4,660
RMBS:				
Agency[(2)]	24,332	165	(212)	24,285
Non-agency	2,680	368	(22)	3,026
Total RMBS	27,012	533	(234)	27,311
CMBS:				
Agency[(2)]	3,690	21	(47)	3,664
Non-agency	1,723	16	(24)	1,715
Total CMBS	5,413	37	(71)	5,379
Other ABS[(3)]	1,345	1	(6)	1,340
Other securities[(4)]	370	2	(1)	371
Total investment securities available for sale	$ 38,804	$ 578	$ (321)	$ 39,061

(1) Includes non-credit-related OTTI that is recorded in accumulated other comprehensive income (“AOCI”) of $14 million and $22 million as of June 30, 2016 and December 31, 2015, respectively. All of this amount is related to non-agency RMBS.

(2) Includes Federal National Mortgage Corporation (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Government National Mortgage Association (“Ginnie Mae”) guaranteed securities.

(3) ABS collateralized by credit card loans constituted approximately 65% and 71% of the other ABS portfolio as of June 30, 2016 and December 31, 2015, respectively, and ABS collateralized by auto dealer floor plan inventory loans and leases constituted approximately 17% and 11% of the other ABS portfolio as of June 30, 2016 and December 31, 2015, respectively.

(4) Includes foreign government bonds and equity investments.

The table below presents the amortized cost, carrying value, gross unrealized gains and losses, and fair value of securities held to maturity as of June 30, 2016 and December 31, 2015.

Table 3.3: Investment Securities Held to Maturity

(Dollars in millions)	June 30, 2016 Amortized Cost	Unrealized Losses Recorded in AOCI[(1)]	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	**$ 199**	**$ 0**	**$ 199**	**$ 2**	**$ 0**	**$ 201**
Agency RMBS	**22,828**	**(981)**	**21,847**	**1,478**	**(3)**	**23,322**
Agency CMBS	**3,173**	**(99)**	**3,074**	**202**	**0**	**3,276**
Total investment securities held to maturity	**$ 26,200**	**$ (1,080)**	**$ 25,120**	**$ 1,682**	**$ (3)**	**$ 26,799**

(Dollars in millions)	December 31, 2015 Amortized Cost	Unrealized Losses Recorded in AOCI[(1)]	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 199	$ 0	$ 199	$ 0	$ (1)	$ 198
Agency RMBS	22,561	(1,048)	21,513	692	(72)	22,133
Agency CMBS	3,012	(105)	2,907	87	(8)	2,986
Total investment securities held to maturity	$ 25,772	$ (1,153)	$ 24,619	$ 779	$ (81)	$ 25,317

(1) Certain investment securities were transferred from the available for sale category to the held to maturity category in 2013. This amount represents the unrealized holding gain or loss at the date of transfer, net of any subsequent accretion. Any bonds purchased into the securities held to maturity portfolio rather than transferred, will not have unrealized losses recognized in AOCI.

Investment Securities in a Gross Unrealized Loss Position

The table below provides, by major security type, information about our securities available for sale in a gross unrealized loss position and the length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2016 and December 31, 2015.

Table 3.4: Securities in a Gross Unrealized Loss Position

	June 30, 2016					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Investment securities available for sale:						
U.S. Treasury securities	$ 1	$ 0	$ 0	$ 0	$ 1	$ 0
RMBS:						
Agency	3,894	(24)	3,168	(33)	7,062	(57)
Non-agency	136	(2)	271	(12)	407	(14)
Total RMBS	4,030	(26)	3,439	(45)	7,469	(71)
CMBS:						
Agency	435	(2)	857	(16)	1,292	(18)
Non-agency	202	(1)	145	(2)	347	(3)
Total CMBS	637	(3)	1,002	(18)	1,639	(21)
Other ABS	122	0	14	0	136	0
Other securities	91	(1)	20	(1)	111	(2)
Total investment securities available for sale in a gross unrealized loss position	$ 4,881	$ (30)	$ 4,475	$ (64)	$ 9,356	$ (94)

	December 31, 2015					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Investment securities available for sale:						
U.S. Treasury securities	$ 3,096	$ (9)	$ 1	$ 0	$ 3,097	$ (9)
RMBS:						
Agency	12,025	(110)	4,420	(102)	16,445	(212)
Non-agency	355	(10)	155	(12)	510	(22)
Total RMBS	12,380	(120)	4,575	(114)	16,955	(234)
CMBS:						
Agency	1,352	(9)	1,148	(38)	2,500	(47)
Non-agency	739	(13)	330	(11)	1,069	(24)
Total CMBS	2,091	(22)	1,478	(49)	3,569	(71)
Other ABS	825	(5)	255	(1)	1,080	(6)
Other securities	250	0	19	(1)	269	(1)
Total investment securities available for sale in a gross unrealized loss position	$ 18,642	$ (156)	$ 6,328	$ (165)	$ 24,970	$ (321)

As of June 30, 2016, the amortized cost of approximately 510 securities available for sale exceeded their fair value by $94 million, of which $64 million related to securities that had been in a loss position for 12 months or longer. As of June 30, 2016, our investments in non-agency RMBS and CMBS, other ABS and other securities accounted for $19 million, or 20%, of total gross unrealized losses on securities available for sale. As of June 30, 2016, the carrying value of approximately 10 securities classified as held to maturity exceeded their fair value by $3 million.

Gross unrealized losses on our investment securities have decreased since December 31, 2015. The unrealized losses related to investment securities for which we have not recognized credit impairment were primarily attributable to changes in market interest rates. As discussed in more detail below, we conduct periodic reviews of all investment securities with unrealized losses to assess whether impairment is other-than-temporary.

Maturities and Yields of Investment Securities

The following tables summarize the remaining scheduled contractual maturities, assuming no prepayments, of our investment securities as of June 30, 2016.

Table 3.5: Contractual Maturities of Securities Available for Sale

	June 30, 2016	
(Dollars in millions)	**Amortized Cost**	**Fair Value**
Due in 1 year or less	**$ 541**	**$ 542**
Due after 1 year through 5 years	**5,220**	**5,271**
Due after 5 years through 10 years	**2,476**	**2,531**
Due after 10 years[1]	**30,957**	**31,616**
Total	**$ 39,194**	**$ 39,960**

[1] Investments with no stated maturities, which consist of equity securities, are included with contractual maturities due after 10 years.

Table 3.6: Contractual Maturities of Securities Held to Maturity

	June 30, 2016	
(Dollars in millions)	**Carrying Value**	**Fair Value**
Due after 1 year through 5 years	**$ 199**	**$ 201**
Due after 5 years through 10 years	**1,329**	**1,452**
Due after 10 years	**23,592**	**25,146**
Total	**$ 25,120**	**$ 26,799**

Because borrowers may have the right to call or prepay certain obligations, the expected maturities of our securities are likely to differ from the scheduled contractual maturities presented above.

The table below summarizes, by major security type, the expected maturities and weighted-average yields of our investment securities as of June 30, 2016.

Table 3.7: Expected Maturities and Weighted-Average Yields of Securities

	June 30, 2016				
(Dollars in millions)	Due in 1 Year or Less	Due > 1 Year through 5 Years	Due > 5 Years through 10 Years	Due > 10 Years	Total
Fair value of securities available for sale:					
U.S. Treasury securities	$ 202	$ 4,043	$ 944	$ 0	$ 5,189
RMBS:					
Agency	410	20,474	4,274	0	25,158
Non-agency	11	793	1,658	395	2,857
Total RMBS	421	21,267	5,932	395	28,015
CMBS:					
Agency	75	1,647	1,906	0	3,628
Non-agency	148	575	1,059	0	1,782
Total CMBS	223	2,222	2,965	0	5,410
Other ABS	213	735	57	0	1,005
Other securities	198	29	0	114	341
Total securities available for sale	$ 1,257	$ 28,296	$ 9,898	$ 509	$ 39,960
Amortized cost of securities available for sale	$ 1,260	$ 27,922	$ 9,549	$ 463	$ 39,194
Weighted-average yield for securities available for sale[1]	1.41%	2.00%	3.36%	7.44%	2.37%
Carrying value of securities held to maturity:					
U.S. Treasury securities	$ 0	$ 199	$ 0	$ 0	$ 199
Agency RMBS	80	6,248	12,698	2,821	21,847
Agency CMBS	0	133	2,468	473	3,074
Total securities held to maturity	$ 80	$ 6,580	$ 15,166	$ 3,294	$ 25,120
Fair value of securities held to maturity	$ 79	$ 6,877	$ 16,206	$ 3,637	$ 26,799
Weighted-average yield for securities held to maturity[1]	3.79%	2.54%	2.54%	3.37%	2.65%

(1) The weighted-average yield represents the effective yield for the investment securities and is calculated based on the amortized cost of each security.

Other-Than-Temporary Impairment

We evaluate all securities in an unrealized loss position at least on a quarterly basis, and more often as market conditions require, to assess whether the impairment is other-than-temporary. Our OTTI assessment is based on a discounted cash flow analysis which requires careful use of judgments and assumptions. A number of qualitative and quantitative criteria may be considered in our assessment as applicable, including the size and the nature of the portfolio; historical and projected performance such as prepayment, default and loss severity for the RMBS portfolio; recent credit events specific to the issuer and/or industry to which the issuer belongs; the payment structure of the security; external credit ratings of the issuer and any failure or delay of the issuer to make scheduled interest or principal payments; the value of underlying collateral; our intent and ability to hold the security; and current and projected market and macro-economic conditions.

If we intend to sell a security in an unrealized loss position or it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis, the entire difference between the amortized cost basis of the security and its fair value is recognized in earnings. As of June 30, 2016, for any securities with unrealized losses recorded in AOCI, we do not intend to sell nor believe that we will be required to sell these securities prior to recovery of their amortized cost.

For those securities that we do not intend to sell nor expect to be required to sell, an analysis is performed to determine if any of the impairment is due to credit-related factors or whether it is due to other factors, such as interest rates. Credit-related impairment is recognized in earnings, with the remaining unrealized non-credit-related impairment recorded in AOCI. We determine the credit component based on the difference between the security's amortized cost basis and the present value of its expected cash flows, discounted based on the effective yield.

The table below presents a rollforward of the credit-related OTTI recognized in earnings for the three and six months ended June 30, 2016 and 2015 on investment securities for which we had no intent to sell.

Table 3.8: Credit Impairment Rollforward

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Credit loss component, beginning of period	$ 204	$ 190	$ 199	$ 175
Additions:				
Initial credit impairment	**1**	0	**1**	5
Subsequent credit impairment	**1**	2	**7**	12
Total additions	**2**	2	**8**	17
Reductions due to payoffs, disposals, transfers and other	**(2)**	0	**(3)**	0
Credit loss component, end of period	**$ 204**	$ 192	**$ 204**	$ 192

Realized Gains and Losses on Securities and OTTI Recognized in Earnings

The following table presents the gross realized gains and losses on the sale and redemption of securities available for sale, and the OTTI losses recognized in earnings for the three and six months ended June 30, 2016 and 2015. We also present the proceeds from the sale of securities available for sale for the periods presented. We did not sell any investment securities that are classified as held to maturity.

Table 3.9: Realized Gains and Losses and OTTI Recognized in Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Realized gains (losses):				
Gross realized gains	**$ 3**	$ 8	**$ 6**	$ 17
Gross realized losses	**(1)**	(9)	**(4)**	(16)
Net realized gains (losses)	**2**	(1)	**2**	1
OTTI recognized in earnings:				
Credit-related OTTI	**(2)**	(2)	**(8)**	(17)
Intent-to-sell OTTI	**0**	(5)	**(2)**	(5)
Total OTTI recognized in earnings	**(2)**	(7)	**(10)**	(22)
Net securities gains (losses)	**$ 0**	$ (8)	**$ (8)**	$ (21)
Total proceeds from sales	**$ 776**	$ 971	**$ 2,699**	$ 2,313

Securities Pledged and Received

As part of our liquidity management strategy, we pledge securities to secure borrowings from counterparties including the Federal Home Loan Banks ("FHLB") and the Federal Reserve. We also pledge securities to secure trust and public deposits and for other purposes as required or permitted by law. We pledged securities available for sale with a fair value of $1.2 billion and $1.7 billion as of June 30, 2016 and December 31, 2015, respectively. We also pledged securities held to maturity with a carrying value of $8.5 billion and $8.7 billion as of June 30, 2016 and December 31, 2015, respectively. Of the total securities pledged as collateral, we have encumbered $10.4 billion and $10.6 billion as of June 30, 2016 and December 31, 2015, respectively, primarily related to Public Fund deposits. We accepted pledges of securities with a fair value of $15 million and $172 million as of June 30, 2016 and December 31, 2015, respectively, primarily related to our derivative transactions.

Acquired Credit-Impaired Debt Securities

The table below presents the outstanding balance and carrying value of the acquired credit-impaired debt securities as of June 30, 2016 and December 31, 2015.

Table 3.10: Outstanding Balance and Carrying Value of Acquired Credit-Impaired Debt Securities

(Dollars in millions)	June 30, 2016	December 31, 2015
Outstanding balance	**$ 3,108**	$ 3,285
Carrying value	**2,365**	2,480

Changes in Accretable Yield of Acquired Credit-Impaired Debt Securities

The following table presents changes in the accretable yield related to the acquired credit-impaired debt securities for the three and six months ended June 30, 2016.

Table 3.11: Changes in the Accretable Yield of Acquired Credit-Impaired Debt Securities

(Dollars in millions)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Accretable yield, beginning of period	$ 1,245	$ 1,237
Accretion recognized in earnings	**(53)**	**(107)**
Reduction due to payoffs, disposals, transfers and other	**(2)**	**(2)**
Net reclassifications from nonaccretable difference	**47**	**109**
Accretable yield, end of period	**$ 1,237**	**$ 1,237**

NOTE 4—LOANS

Loan Portfolio Composition

Our loan portfolio consists of loans held for investment, including loans held in our consolidated trusts, and loans held for sale, and is divided into three portfolio segments: credit card, consumer banking and commercial banking. Credit card loans consist of domestic and international credit card loans. Consumer banking loans consist of auto, home and retail banking loans. Commercial banking loans consist of commercial and multifamily real estate, commercial and industrial, and small-ticket commercial real estate loans.

Our portfolio of loans held for investment also includes certain of our consumer and commercial loans acquired through business combinations that were recorded at fair value at acquisition and subsequently accounted for based on cash flows expected to be collected, which were referred to as "purchased credit-impaired loans" or "PCI loans." See "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K for additional information on the accounting guidance for these loans.

Credit Quality

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency rates are an indicator, among other considerations, of credit risk within our loan portfolio. The level of nonperforming loans represents another indicator of the potential for future credit losses. Accordingly, key metrics we track and use in evaluating the credit quality of our loan portfolio include delinquency and nonperforming loan rates, as well as net charge-off rates and our internal risk ratings of larger balance commercial loans.

The table below presents the composition and an aging analysis of our loans held for investment portfolio as of June 30, 2016 and December 31, 2015. The delinquency aging includes all past due loans, both performing and nonperforming.

Table 4.1: Loan Portfolio Composition and Aging Analysis

	June 30, 2016						
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	PCI Loans	Total Loans
Credit Card:							
Domestic credit card[1]	$ 85,801	$ 936	$ 619	$ 1,225	$ 2,780	$ 0	$ 88,581
International credit card	8,019	119	69	116	304	0	8,323
Total credit card	93,820	1,055	688	1,341	3,084	0	96,904
Consumer Banking:							
Auto	41,843	1,725	764	170	2,659	0	44,502
Home loan	6,596	35	16	153	204	16,558	23,358
Retail banking	3,480	18	7	20	45	30	3,555
Total consumer banking	51,919	1,778	787	343	2,908	16,588	71,415
Commercial Banking:							
Commercial and multifamily real estate	26,287	10	7	7	24	30	26,341
Commercial and industrial	38,051	121	92	309	522	740	39,313
Total commercial lending	64,338	131	99	316	546	770	65,654
Small-ticket commercial real estate	537	4	2	5	11	0	548
Total commercial banking	64,875	135	101	321	557	770	66,202
Other loans	74	2	1	5	8	0	82
Total loans[2]	$ 210,688	$ 2,970	$ 1,577	$ 2,010	$ 6,557	$ 17,358	$ 234,603
% of Total loans	89.81%	1.26%	0.67%	0.86%	2.79%	7.40%	100.00%

(Dollars in millions)	December 31, 2015 Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	PCI Loans	Total Loans
Credit Card:							
Domestic credit card[1]	$ 84,954	$ 906	$ 658	$ 1,421	$ 2,985	$ 0	$ 87,939
International credit card	7,903	110	67	106	283	0	8,186
Total credit card	92,857	1,016	725	1,527	3,268	0	96,125
Consumer Banking:							
Auto	38,549	1,901	880	219	3,000	0	41,549
Home loan	6,465	41	18	176	235	18,527	25,227
Retail banking	3,514	21	8	20	49	33	3,596
Total consumer banking	48,528	1,963	906	415	3,284	18,560	70,372
Commercial Banking:							
Commercial and multifamily real estate	25,449	34	0	4	38	31	25,518
Commercial and industrial	35,920	51	34	203	288	927	37,135
Total commercial lending	61,369	85	34	207	326	958	62,653
Small-ticket commercial real estate	607	3	1	2	6	0	613
Total commercial banking	61,976	88	35	209	332	958	63,266
Other loans	77	2	2	7	11	0	88
Total loans[2]	$ 203,438	$ 3,069	$ 1,668	$ 2,158	$ 6,895	$ 19,518	$ 229,851
% of Total loans	88.51%	1.33%	0.73%	0.94%	3.00%	8.49%	100.00%

(1) Includes installment loans of $11 million and $16 million as of June 30, 2016 and December 31, 2015, respectively.

(2) Loans are presented net of unearned income, unamortized premiums and discounts, and unamortized deferred fees and costs totaling $926 million and $989 million as of June 30, 2016 and December 31, 2015, respectively.

We pledge loan collateral at the FHLB to secure borrowing capacity. The outstanding balance of the pledged loans totaled $31.2 billion and $36.9 billion as of June 30, 2016 and December 31, 2015, respectively.

Table 4.2 presents the outstanding balance of loans 90 days or more past due that continue to accrue interest and loans classified as nonperforming as of June 30, 2016 and December 31, 2015.

Table 4.2: 90+ Day Delinquent Loans Accruing Interest and Nonperforming Loans[1]

(Dollars in millions)	June 30, 2016 ≥ 90 Days and Accruing	June 30, 2016 Nonperforming Loans	December 31, 2015 ≥ 90 Days and Accruing	December 31, 2015 Nonperforming Loans
Credit Card:				
Domestic credit card	**$ 1,225**	**N/A**	$ 1,421	N/A
International credit card	**91**	**$ 44**	79	$ 53
Total credit card	**1,316**	**44**	1,500	53
Consumer Banking:				
Auto	**0**	**170**	0	219
Home loan	**0**	**289**	0	311
Retail banking	**1**	**32**	0	28
Total consumer banking	**1**	**491**	0	558

(Dollars in millions)	June 30, 2016 ≥ 90 Days and Accruing	June 30, 2016 Nonperforming Loans	December 31, 2015 ≥ 90 Days and Accruing	December 31, 2015 Nonperforming Loans
Commercial Banking:				
Commercial and multifamily real estate	**$ 0**	**$ 26**	$ 0	$ 7
Commercial and industrial	**6**	**1,015**	5	538
Total commercial lending	**6**	**1,041**	5	545
Small-ticket commercial real estate	**0**	**9**	0	5
Total commercial banking	**6**	**1,050**	5	550
Other loans	**0**	**10**	0	9
Total	**$ 1,323**	**$ 1,595**	$ 1,505	$ 1,170
% of Total loans	**0.56%**	**0.68%**	0.65%	0.51%

(1) Nonperforming loans generally include loans that have been placed on nonaccrual status. PCI loans are excluded from loans reported as 90 days or more past due and accruing interest as well as nonperforming loans. See "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K for additional information on our policies for nonperforming loans.

Credit Card

Our credit card loan portfolio is highly diversified across millions of accounts and numerous geographies without significant individual exposure. We therefore generally manage credit risk on a portfolio basis. The risk in our credit card loan portfolio correlates to broad economic trends, such as unemployment rates and home values, as well as customer liquidity, all of which can have a material effect on credit performance. The primary factors we assess in monitoring the credit quality and risk of our credit card portfolio are delinquency and charge-off trends, including an analysis of the migration of loans between delinquency categories over time.

The table below displays the geographic profile of our credit card loan portfolio as of June 30, 2016 and December 31, 2015. We also present net charge-offs for the three and six months ended June 30, 2016 and 2015.

Table 4.3: Credit Card Risk Profile by Geographic Region

(Dollars in millions)	June 30, 2016 Amount	June 30, 2016 % of Total[1]	December 31, 2015 Amount	December 31, 2015 % of Total[1]
Domestic credit card:				
California	**$ 10,199**	**10.5%**	$ 10,029	10.5%
Texas	**6,493**	**6.7**	6,344	6.6
New York	**6,451**	**6.7**	6,446	6.7
Florida	**5,849**	**6.0**	5,712	5.9
Illinois	**4,111**	**4.2**	4,121	4.3
Pennsylvania	**3,707**	**3.8**	3,764	3.9
Ohio	**3,324**	**3.4**	3,371	3.5
New Jersey	**3,190**	**3.3**	3,210	3.3
Michigan	**2,898**	**3.0**	2,922	3.0
Other	**42,359**	**43.8**	42,020	43.8
Total domestic credit card	**88,581**	**91.4**	87,939	91.5
International credit card:				
Canada	**5,312**	**5.5**	4,889	5.1
United Kingdom	**3,011**	**3.1**	3,297	3.4
Total international credit card	**8,323**	**8.6**	8,186	8.5
Total credit card	**$ 96,904**	**100.0%**	$ 96,125	100.0%

(1) Percentages by geographic region are calculated based on period-end amounts.

Table 4.4: Credit Card Net Charge-Offs

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Net charge-offs:[1]								
Domestic credit card	**$ 874**	**4.07%**	$ 650	3.42%	**$ 1,761**	**4.12%**	$ 1,314	3.49%
International credit card	**75**	**3.54**	53	2.65	**138**	**3.39**	108	2.73
Total credit card	**$ 949**	**4.02**	$ 703	3.35	**$ 1,899**	**4.05**	$ 1,422	3.42

(1) Net charge-offs consist of the unpaid principal balance that we determine to be uncollectible, net of recovered amounts. The net charge-off rate is calculated for each loan category by dividing annualized net charge-offs by average balance of loans held for investment for the period. Net charge-offs and the net charge-off rate are impacted periodically by fluctuations in recoveries, including loan sales.

Consumer Banking

Our consumer banking loan portfolio consists of auto, home and retail banking loans. Similar to our credit card loan portfolio, the risk in our consumer banking loan portfolio correlates to broad economic trends, such as unemployment rates, gross domestic product (“GDP”) and home values, as well as customer liquidity, all of which can have a material effect on credit performance. Delinquency, nonperforming loans and charge-off trends are key factors we assess in monitoring the credit quality and risk of our consumer banking loan portfolio.

The table below displays the geographic profile of our consumer banking loan portfolio, including PCI loans. We also present the delinquency and nonperforming loan rates of our consumer banking loan portfolio as of June 30, 2016 and December 31, 2015, as well as net charge-offs for the three and six months ended June 30, 2016 and 2015.

Table 4.5: Consumer Banking Risk Profile by Geographic Region

	June 30, 2016		December 31, 2015	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]
Auto:				
Texas	**$ 5,847**	**8.2%**	$ 5,463	7.8%
California	**5,065**	**7.1**	4,611	6.5
Florida	**3,673**	**5.1**	3,315	4.7
Georgia	**2,359**	**3.3**	2,245	3.2
Louisiana	**2,024**	**2.8**	1,882	2.7
Illinois	**1,952**	**2.7**	1,859	2.6
Ohio	**1,844**	**2.6**	1,738	2.5
Other	**21,738**	**30.5**	20,436	29.0
Total auto	**44,502**	**62.3**	41,549	59.0
Home loan:				
California	**5,406**	**7.6**	5,884	8.4
New York	**2,054**	**2.9**	2,171	3.1
Maryland	**1,480**	**2.0**	1,539	2.2
Illinois	**1,365**	**1.9**	1,490	2.1
Virginia	**1,281**	**1.8**	1,354	1.9
New Jersey	**1,197**	**1.7**	1,293	1.8
Louisiana	**1,043**	**1.5**	1,146	1.6
Other	**9,532**	**13.3**	10,350	14.8
Total home loan	**23,358**	**32.7**	25,227	35.9

(Dollars in millions)	June 30, 2016 Amount	% of Total[1]	December 31, 2015 Amount	% of Total[1]
Retail banking:				
Louisiana	**$ 1,042**	**1.5%**	$ 1,071	1.5%
New York	**919**	**1.3**	921	1.3
Texas	**753**	**1.1**	757	1.1
New Jersey	**243**	**0.3**	259	0.4
Maryland	**186**	**0.3**	180	0.3
Virginia	**150**	**0.2**	151	0.2
Other	**262**	**0.3**	257	0.3
Total retail banking	**3,555**	**5.0**	3,596	5.1
Total consumer banking	**$ 71,415**	**100.0%**	$ 70,372	100.0%

(1) Percentages by geographic region are calculated based on period-end amounts.

Table 4.6: Consumer Banking Net Charge-Offs and Nonperforming Loans

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]
Net charge-offs:								
Auto	**$ 130**	**1.20%**	$ 121	1.22%	**$ 298**	**1.39%**	$ 269	1.38%
Home loan[2]	**5**	**0.09**	3	0.04	**8**	**0.07**	5	0.03
Retail banking	**11**	**1.26**	12	1.39	**23**	**1.31**	21	1.18
Total consumer banking[2]	**$ 146**	**0.83**	$ 136	0.76	**$ 329**	**0.93**	$ 295	0.83

(Dollars in millions)	June 30, 2016 Amount	Rate[3]	December 31, 2015 Amount	Rate[3]
Nonperforming loans:				
Auto	**$ 170**	**0.38%**	$ 219	0.53%
Home loan[4]	**289**	**1.24**	311	1.23
Retail banking	**32**	**0.89**	28	0.77
Total consumer banking[4]	**$ 491**	**0.69**	$ 558	0.79

(1) Calculated for each loan category by dividing annualized net charge-offs by average balance of loans held for investment for the period.

(2) Excluding the impact of PCI loans, the net charge-off rates for our home loan and total consumer banking portfolios were 0.31% and 1.09%, respectively, for the three months ended June 30, 2016, compared to 0.16% and 1.09%, respectively, for the three months ended June 30, 2015; and 0.24% and 1.24%, respectively, for the six months ended June 30, 2016, compared to 0.13% and 1.19%, respectively, for the six months ended June 30, 2015.

(3) Calculated for each loan category by dividing nonperforming loans by period-end loans held for investment.

(4) Excluding the impact of PCI loans, the nonperforming loan rates for our home loan and total consumer banking portfolios were 4.25% and 0.90%, respectively, as of June 30, 2016, compared to 4.68% and 1.08%, respectively, as of December 31, 2015.

Home Loan

Our home loan portfolio consists of both first-lien and second-lien residential mortgage loans. In evaluating the credit quality and risk of our home loan portfolio, we continually monitor a variety of mortgage loan characteristics that may affect the default experience on this loan portfolio, such as vintage, geographic concentrations, lien priority and product type. Certain loan concentrations have experienced higher delinquency rates as a result of the significant decline in home prices after the peak in 2006 and subsequent rise in unemployment. These loan concentrations include loans originated between 2006 and 2008 in an environment of decreasing home sales, broadly declining home prices and more relaxed underwriting standards.

The following table presents the distribution of our home loan portfolio as of June 30, 2016 and December 31, 2015, based on selected key risk characteristics.

Table 4.7: Home Loan Risk Profile by Vintage, Geography, Lien Priority and Interest Rate Type

	June 30, 2016					
	Loans		PCI Loans[3]		Total Home Loans	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]	Amount	% of Total[1]
Origination year:[2]						
< = 2007	$ 2,327	9.9%	$ 8,239	35.3%	$ 10,566	45.2%
2008	144	0.6	2,577	11.1	2,721	11.7
2009	90	0.4	1,286	5.5	1,376	5.9
2010	89	0.4	1,894	8.1	1,983	8.5
2011	159	0.7	2,087	8.9	2,246	9.6
2012	1,139	4.9	329	1.4	1,468	6.3
2013	511	2.2	67	0.3	578	2.5
2014	622	2.7	33	0.1	655	2.8
2015	1,096	4.7	32	0.1	1,128	4.8
2016	623	2.6	14	0.1	637	2.7
Total	$ 6,800	29.1%	$ 16,558	70.9%	$ 23,358	100.0%
Geographic concentration:[4]						
California	$ 869	3.7%	$ 4,537	19.4%	$ 5,406	23.1%
New York	1,275	5.5	779	3.3	2,054	8.8
Maryland	548	2.3	932	4.0	1,480	6.3
Illinois	96	0.4	1,269	5.4	1,365	5.8
Virginia	455	1.9	826	3.6	1,281	5.5
New Jersey	355	1.5	842	3.6	1,197	5.1
Louisiana	1,018	4.4	25	0.1	1,043	4.5
Florida	152	0.7	880	3.8	1,032	4.5
Arizona	88	0.4	900	3.8	988	4.2
Washington	116	0.5	703	3.0	819	3.5
Other	1,828	7.8	4,865	20.9	6,693	28.7
Total	$ 6,800	29.1%	$ 16,558	70.9%	$ 23,358	100.0%
Lien type:						
1st lien	$ 5,808	24.9%	$ 16,262	69.6%	$ 22,070	94.5%
2nd lien	992	4.2	296	1.3	1,288	5.5
Total	$ 6,800	29.1%	$ 16,558	70.9%	$ 23,358	100.0%
Interest rate type:						
Fixed rate	$ 2,961	12.7%	$ 2,042	8.7%	$ 5,003	21.4%
Adjustable rate	3,839	16.4	14,516	62.2	18,355	78.6
Total	$ 6,800	29.1%	$ 16,558	70.9%	$ 23,358	100.0%

(Dollars in millions)	December 31, 2015					
	Loans		PCI Loans[3]		Total Home Loans	
	Amount	% of Total[1]	Amount	% of Total[1]	Amount	% of Total[1]
Origination year:[2]						
< = 2007	$ 2,559	10.1%	$ 8,956	35.5%	$ 11,515	45.6%
2008	157	0.6	2,866	11.4	3,023	12.0
2009	97	0.4	1,498	5.9	1,595	6.3
2010	97	0.4	2,208	8.8	2,305	9.2
2011	176	0.7	2,476	9.8	2,652	10.5
2012	1,276	5.1	389	1.5	1,665	6.6
2013	557	2.2	71	0.3	628	2.5
2014	680	2.7	31	0.1	711	2.8
2015	1,101	4.4	32	0.1	1,133	4.5
Total	$ 6,700	26.6%	$ 18,527	73.4%	$ 25,227	100.0%
Geographic concentration:[4]						
California	$ 871	3.5%	$ 5,013	19.9%	$ 5,884	23.4%
New York	1,295	5.1	876	3.5	2,171	8.6
Maryland	511	2.0	1,028	4.1	1,539	6.1
Illinois	89	0.4	1,401	5.5	1,490	5.9
Virginia	428	1.7	926	3.7	1,354	5.4
New Jersey	353	1.4	940	3.7	1,293	5.1
Louisiana	1,069	4.2	27	0.1	1,096	4.3
Florida	157	0.6	989	3.9	1,146	4.5
Arizona	81	0.4	995	3.9	1,076	4.3
Washington	113	0.4	806	3.2	919	3.6
Other	1,733	6.9	5,526	21.9	7,259	28.8
Total	$ 6,700	26.6%	$ 18,527	73.4%	$ 25,227	100.0%
Lien type:						
1st lien	$ 5,705	22.6%	$ 18,207	72.2%	$ 23,912	94.8%
2nd lien	995	4.0	320	1.2	1,315	5.2
Total	$ 6,700	26.6%	$ 18,527	73.4%	$ 25,227	100.0%
Interest rate type:						
Fixed rate	$ 2,751	10.9%	$ 2,264	9.0%	$ 5,015	19.9%
Adjustable rate	3,949	15.7	16,263	64.4	20,212	80.1
Total	$ 6,700	26.6%	$ 18,527	73.4%	$ 25,227	100.0%

(1) Percentages within each risk category are calculated based on period-end amounts.

(2) Modified loans are reported in the origination year of the initial borrowing.

(3) The PCI loan balances with an origination date in the years subsequent to 2012 represent refinancing of previously acquired home loans.

(4) States listed represent those that have the highest individual concentration of home loans.

Our recorded investment in home loans that are in process of foreclosure was $403 million and $474 million as of June 30, 2016 and December 31, 2015, respectively. We commence the foreclosure process on home loans when a borrower becomes at least 120 days delinquent in accordance with Consumer Financial Protection Bureau regulations. Foreclosure procedures and timelines vary according to state laws. As of June 30, 2016 and December 31, 2015, the carrying value of the foreclosed residential real estate properties we hold and report as other assets on our consolidated balance sheets totaled $93 million and $123 million, respectively.

Commercial Banking

We evaluate the credit risk of commercial loans individually and use a risk-rating system to determine credit quality. We assign internal risk ratings to loans based on relevant information about the ability of the borrowers to repay their debt. In determining the risk rating of a particular loan, some of the factors considered are the borrower's current financial condition, historical and projected future credit performance, prospects for support from financially responsible guarantors, the estimated realizable value of any collateral and current economic trends. The scale based on our internal risk rating system is as follows:

- *Noncriticized:* Loans that have not been designated as criticized, frequently referred to as "pass" loans.
- *Criticized performing:* Loans in which the financial condition of the obligor is stressed, affecting earnings, cash flows or collateral values. The borrower currently has adequate capacity to meet near-term obligations; however, the stress, left unabated, may result in deterioration of the repayment prospects at some future date.
- *Criticized nonperforming:* Loans that are not adequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Loans classified as criticized nonperforming have a well-defined weakness, or weaknesses, which jeopardize the full repayment of the debt. These loans are characterized by the distinct possibility that we will sustain a credit loss if the deficiencies are not corrected and are generally placed on nonaccrual status.

We use our internal risk rating system for regulatory reporting, determining the frequency of credit exposure reviews, and evaluating and determining the allowance for loan and lease losses for commercial loans. Loans of $1 million or more that are designated as criticized performing and criticized nonperforming are reviewed quarterly by management to determine if they are appropriately classified/rated and whether any impairment exists. Noncriticized loans greater than $1 million are specifically reviewed, at least annually, to determine the appropriate risk rating. In addition, we evaluate the risk rating during the renewal process of any loan or if a loan becomes past due.

The following table presents the geographic distribution and internal risk ratings of our commercial loan portfolio as of June 30, 2016 and December 31, 2015.

Table 4.8: Commercial Banking Risk Profile by Geographic Region and Internal Risk Rating

	June 30, 2016							
(Dollars in millions)	Commercial and Multifamily Real Estate	% of Total[1]	Commercial and Industrial	% of Total[1]	Small-ticket Commercial Real Estate	% of Total[1]	Total Commercial Banking	% of Total[1]
Geographic concentration:[2]								
Northeast	$ 15,488	58.8%	$ 8,797	22.4%	$ 336	61.3%	$ 24,621	37.2%
Mid-Atlantic	3,284	12.5	3,376	8.6	21	3.8	6,681	10.1
South	4,043	15.3	15,692	39.9	37	6.8	19,772	29.9
Other	3,526	13.4	11,448	29.1	154	28.1	15,128	22.8
Total	$ 26,341	100.0%	$ 39,313	100.0%	$ 548	100.0%	$ 66,202	100.0%
Internal risk rating:[3]								
Noncriticized	$ 26,050	98.9%	$ 35,340	89.9%	$ 536	97.9%	$ 61,926	93.5%
Criticized performing	235	0.9	2,218	5.6	3	0.5	2,456	3.7
Criticized nonperforming	26	0.1	1,015	2.6	9	1.6	1,050	1.6
PCI loans[4]	30	0.1	740	1.9	0	0.0	770	1.2
Total	$ 26,341	100.0%	$ 39,313	100.0%	$ 548	100.0%	$ 66,202	100.0%

(Dollars in millions)	December 31, 2015 Commercial and Multifamily Real Estate	% of Total[1]	Commercial and Industrial	% of Total[1]	Small-ticket Commercial Real Estate	% of Total[1]	Total Commercial Banking	% of Total[1]
Geographic concentration:[2]								
Northeast	$ 15,949	62.5%	$ 8,074	21.8%	$ 376	61.3%	$ 24,399	38.6%
Mid-Atlantic	2,797	11.0	3,010	8.1	25	4.1	5,832	9.2
South	4,070	15.9	15,240	41.0	40	6.5	19,350	30.6
Other	2,702	10.6	10,811	29.1	172	28.1	13,685	21.6
Total	$ 25,518	100.0%	$ 37,135	100.0%	$ 613	100.0%	$ 63,266	100.0%
Internal risk rating:[3]								
Noncriticized	$ 25,130	98.5%	$ 34,008	91.6%	$ 605	98.7%	$ 59,743	94.4%
Criticized performing	350	1.4	1,662	4.5	3	0.5	2,015	3.2
Criticized nonperforming	7	0.0	538	1.4	5	0.8	550	0.9
PCI loans[4]	31	0.1	927	2.5	0	0.0	958	1.5
Total	$ 25,518	100.0%	$ 37,135	100.0%	$ 613	100.0%	$ 63,266	100.0%

(1) Percentages calculated based on total loans held for investment in each respective loan category using period-end amounts.

(2) Geographic concentration is generally determined by the location of the borrower's business or the location of the collateral associated with the loan. Northeast consists of CT, MA, ME, NH, NJ, NY, PA and VT. Mid-Atlantic consists of DC, DE, MD, VA and WV. South consists of AL, AR, FL, GA, KY, LA, MO, MS, NC, SC, TN and TX.

(3) Criticized exposures correspond to the "Special Mention," "Substandard" and "Doubtful" asset categories defined by banking regulatory authorities.

(4) We evaluate PCI loans based on their actual risk ratings. Were these PCI loans classified based on their risk ratings, $219 million and $128 million would have been classified as Noncriticized, $520 million and $793 million as Criticized performing, and $31 million and $37 million as Criticized nonperforming as of June 30, 2016 and December 31, 2015, respectively.

Impaired Loans

The following table presents information about our impaired loans, excluding PCI loans, which are reported separately as of June 30, 2016 and December 31, 2015, and for the three and six months ended June 30, 2016 and 2015:

Table 4.9: Impaired Loans[1]

(Dollars in millions)	June 30, 2016 With an Allowance	Without an Allowance	Total Recorded Investment	Related Allowance	Net Recorded Investment	Unpaid Principal Balance
Credit Card:						
Domestic credit card	**$ 516**	**$ 0**	**$ 516**	**$ 153**	**$ 363**	**$ 503**
International credit card	**133**	**0**	**133**	**66**	**67**	**128**
Total credit card[2]	**649**	**0**	**649**	**219**	**430**	**631**
Consumer Banking:						
Auto[3]	**290**	**204**	**494**	**22**	**472**	**774**
Home loan	**235**	**126**	**361**	**17**	**344**	**452**
Retail banking	**47**	**13**	**60**	**15**	**45**	**61**
Total consumer banking	**572**	**343**	**915**	**54**	**861**	**1,287**
Commercial Banking:						
Commercial and multifamily real estate	**97**	**26**	**123**	**9**	**114**	**126**
Commercial and industrial	**1,113**	**227**	**1,340**	**212**	**1,128**	**1,503**
Total commercial lending	**1,210**	**253**	**1,463**	**221**	**1,242**	**1,629**
Small-ticket commercial real estate	**9**	**0**	**9**	**0**	**9**	**11**
Total commercial banking	**1,219**	**253**	**1,472**	**221**	**1,251**	**1,640**
Total	**$ 2,440**	**$ 596**	**$ 3,036**	**$ 494**	**$ 2,542**	**$ 3,558**

(Dollars in millions)	Three Months Ended June 30, 2016 Average Recorded Investment	Three Months Ended June 30, 2016 Interest Income Recognized	Six Months Ended June 30, 2016 Average Recorded Investment	Six Months Ended June 30, 2016 Interest Income Recognized
Credit Card:				
Domestic credit card	**$ 521**	**$ 14**	**$ 528**	**$ 28**
International credit card	**135**	**2**	**132**	**5**
Total credit card(2)	**656**	**16**	**660**	**33**
Consumer Banking:				
Auto(3)	**494**	**21**	**492**	**43**
Home loan	**364**	**1**	**364**	**2**
Retail banking	**60**	**1**	**61**	**1**
Total consumer banking	**918**	**23**	**917**	**46**
Commercial Banking:				
Commercial and multifamily real estate	**128**	**1**	**113**	**2**
Commercial and industrial	**1,277**	**3**	**1,116**	**5**
Total commercial lending	**1,405**	**4**	**1,229**	**7**
Small-ticket commercial real estate	**8**	**0**	**7**	**0**
Total commercial banking	**1,413**	**4**	**1,236**	**7**
Total	**$ 2,987**	**$ 43**	**$ 2,813**	**$ 86**

(Dollars in millions)	December 31, 2015 With an Allowance	Without an Allowance	Total Recorded Investment	Related Allowance	Net Recorded Investment	Unpaid Principal Balance
Credit Card:						
Domestic credit card	$ 541	$ 0	$ 541	$ 150	$ 391	$ 526
International credit card	125	0	125	59	66	121
Total credit card(2)	666	0	666	209	457	647
Consumer Banking:						
Auto(3)	273	215	488	22	466	772
Home loan	229	136	365	18	347	456
Retail banking	51	10	61	14	47	62
Total consumer banking	553	361	914	54	860	1,290
Commercial Banking:						
Commercial and multifamily real estate	82	3	85	11	74	88
Commercial and industrial	515	278	793	75	718	862
Total commercial lending	597	281	878	86	792	950
Small-ticket commercial real estate	6	0	6	0	6	7
Total commercial banking	603	281	884	86	798	957
Total	$ 1,822	$ 642	$ 2,464	$ 349	$ 2,115	$ 2,894

(Dollars in millions)	Three Months Ended June 30, 2015 Average Recorded Investment	Three Months Ended June 30, 2015 Interest Income Recognized	Six Months Ended June 30, 2015 Average Recorded Investment	Six Months Ended June 30, 2015 Interest Income Recognized
Credit Card:				
Domestic credit card	$ 535	$ 14	$ 539	$ 28
International credit card	136	3	139	5
Total credit card[2]	671	17	678	33
Consumer Banking:				
Auto[3]	457	20	450	41
Home loan	364	1	365	2
Retail banking	56	1	54	1
Total consumer banking	877	22	869	44
Commercial Banking:				
Commercial and multifamily real estate	113	1	124	2
Commercial and industrial	388	1	330	2
Total commercial lending	501	2	454	4
Small-ticket commercial real estate	8	0	8	0
Total commercial banking	509	2	462	4
Total	$ 2,057	$ 41	$ 2,009	$ 81

(1) Impaired loans include loans modified in troubled debt restructurings (“TDRs”), all nonperforming commercial loans and nonperforming home loans with a specific impairment. Impaired loans without an allowance generally represent loans that have been charged down to the fair value of the underlying collateral for which we believe no additional losses have been incurred, or where the fair value of the underlying collateral meets or exceeds the loan’s amortized cost.

(2) The average recorded investment of credit card loans includes finance charges and fees.

(3) Although auto loans from loan recovery inventory are not reported in our loans held for investment, they are included as impaired loans above since they are reported as TDRs.

The total recorded investment of loans modified in TDRs represents $2.1 billion and $1.8 billion of the impaired loans presented above as of June 30, 2016 and December 31, 2015, respectively. Consumer TDRs classified as performing totaled $1.0 billion as of both June 30, 2016 and December 31, 2015. Commercial TDRs classified as performing totaled $420 million and $334 million as of June 30, 2016 and December 31, 2015, respectively.

As part of our loan modification programs to borrowers experiencing financial difficulty, we may provide multiple concessions to minimize our economic loss and improve long-term loan performance and collectability. The following tables present the major modification types, recorded investment amounts and financial effects of loans modified in TDRs during the three and six months ended June 30, 2016 and 2015:

Table 4.10: Troubled Debt Restructurings

	Three Months Ended June 30, 2016						
		Reduced Interest Rate		Term Extension		Balance Reduction	
(Dollars in millions)	Total Loans Modified[1][2]	% of TDR Activity[3][4]	Average Rate Reduction[5]	% of TDR Activity[4][6]	Average Term Extension (Months)[7]	% of TDR Activity[4][8]	Gross Balance Reduction[9]
Credit Card:							
Domestic credit card	$ 62	100%	12.81%	0%	0	0%	$ 0
International credit card	33	100	26.01	0	0	0	0
Total credit card	95	100	17.47	0	0	0	0
Consumer Banking:							
Auto	77	46	3.86	75	7	25	15
Home loan	12	52	2.29	95	252	2	0
Retail banking	4	47	4.10	58	10	35	1
Total consumer banking	93	47	3.64	77	46	22	16
Commercial Banking:							
Commercial and multifamily real estate	0	0	0.00	0	0	0	0
Commercial and industrial	254	12	0.06	64	25	0	0
Total commercial lending	254	12	0.00	64	25	0	0
Small-ticket commercial real estate	0	0	0.00	0	0	0	0
Total commercial banking	254	12	0.00	64	25	0	0
Total	$ 442	38	10.82	53	32	5	$ 16

(Dollars in millions)	Total Loans Modified(1)(2)	Reduced Interest Rate: % of TDR Activity(3)(4)	Reduced Interest Rate: Average Rate Reduction(5)	Term Extension: % of TDR Activity(4)(6)	Term Extension: Average Term Extension (Months)(7)	Balance Reduction: % of TDR Activity(4)(8)	Balance Reduction: Gross Balance Reduction(9)
	Six Months Ended June 30, 2016						
Credit Card:							
Domestic credit card	**$ 124**	**100%**	**12.83%**	**0%**	**0**	**0%**	**$ 0**
International credit card	**69**	**100**	**25.83**	**0**	**0**	**0**	**0**
Total credit card	**193**	**100**	**17.50**	**0**	**0**	**0**	**0**
Consumer Banking:							
Auto	**163**	**44**	**3.89**	**74**	**7**	**26**	**36**
Home loan	**25**	**57**	**2.47**	**85**	**250**	**2**	**0**
Retail banking	**7**	**36**	**5.02**	**70**	**10**	**20**	**1**
Total consumer banking	**195**	**45**	**3.69**	**75**	**43**	**22**	**37**
Commercial Banking:							
Commercial and multifamily real estate	**25**	**0**	**0.00**	**100**	**8**	**0**	**0**
Commercial and industrial	**301**	**10**	**0.05**	**58**	**23**	**0**	**0**
Total commercial lending	**326**	**9**	**0.05**	**62**	**21**	**0**	**0**
Small-ticket commercial real estate	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**
Total commercial banking	**326**	**9**	**0.05**	**61**	**21**	**0**	**0**
Total	**$ 714**	**43**	**11.93**	**49**	**30**	**6**	**$ 37**

(Dollars in millions)	Total Loans Modified(1)(2)	Reduced Interest Rate: % of TDR Activity(3)(4)	Reduced Interest Rate: Average Rate Reduction(5)	Term Extension: % of TDR Activity(4)(6)	Term Extension: Average Term Extension (Months)(7)	Balance Reduction: % of TDR Activity(4)(8)	Balance Reduction: Gross Balance Reduction(9)
	Three Months Ended June 30, 2015						
Credit Card:							
Domestic credit card	$ 68	100%	12.03%	0%	0	0%	$ 0
International credit card	30	100	25.95	0	0	0	0
Total credit card	98	100	16.25	0	0	0	0
Consumer Banking:							
Auto	81	40	4.11	68	7	31	23
Home loan	10	37	3.17	60	188	23	0
Retail banking	5	3	6.93	76	7	0	0
Total consumer banking	96	37	4.03	67	23	29	23
Commercial Banking:							
Commercial and multifamily real estate	0	0	0.00	0	0	100	0
Commercial and industrial	30	0	1.14	98	4	0	0
Total commercial lending	30	0	1.14	98	4	0	0
Small-ticket commercial real estate	1	0	0.00	0	0	0	0
Total commercial banking	31	0	1.14	97	4	0	0
Total	$ 225	60	12.98	42	17	12	$ 23

(Dollars in millions)	Total Loans Modified[(1)(2)]	Reduced Interest Rate: % of TDR Activity[(3)(4)]	Reduced Interest Rate: Average Rate Reduction[(5)]	Term Extension: % of TDR Activity[(4)(6)]	Term Extension: Average Term Extension (Months)[(7)]	Balance Reduction: % of TDR Activity[(4)(8)]	Balance Reduction: Gross Balance Reduction[(9)]
	Six Months Ended June 30, 2015						
Credit Card:							
Domestic credit card	$ 140	100%	12.08%	0%	0	0%	$ 0
International credit card	62	100	25.86	0	0	0	0
Total credit card	202	100	16.32	0	0	0	0
Consumer Banking:							
Auto	169	41	2.82	69	8	30	45
Home loan	17	50	2.98	62	181	13	0
Retail banking	10	31	8.09	83	6	0	0
Total consumer banking	196	41	3.05	70	22	27	45
Commercial Banking:							
Commercial and multifamily real estate	3	0	0.00	97	34	78	1
Commercial and industrial	51	0	1.50	59	5	0	0
Total commercial lending	54	0	1.50	61	7	4	1
Small-ticket commercial real estate	1	0	0.00	0	0	0	0
Total commercial banking	55	0	1.50	60	7	4	1
Total	$ 453	62	12.55	37	19	12	$ 46

(1) Represents total loans modified and accounted for as TDRs during the period. Paydowns, net charge-offs and any other changes subsequent to the TDR date are not reflected in the recorded investment amount.

(2) We present the modification types utilized most prevalently across our loan portfolios. As not every modification type is included in the table above, the total % of TDR activity may not add up to 100%.

(3) Represents percentage of loans modified and accounted for as TDRs during the period that were granted a reduced interest rate.

(4) Due to multiple concessions granted to some troubled borrowers, percentages may total more than 100% for certain loan types.

(5) Represents weighted average interest rate reduction for those loans that received an interest rate concession.

(6) Represents percentage of loans modified and accounted for as TDRs during the period that were granted a maturity date extension.

(7) Represents weighted average change in maturity date for those loans that received a maturity date extension.

(8) Represents percentage of loans modified and accounted for as TDRs during the period that were granted forgiveness or forbearance of a portion of their balance.

(9) Total amount represents the gross balance forgiven. For loans modified in bankruptcy, the gross balance reduction represents collateral value write-downs associated with the discharge of the borrower’s obligations.

TDR—Subsequent Defaults of Completed TDR Modifications

The following table presents the type, number and recorded investment amount of loans modified in TDRs that experienced a default during the period and had completed a modification event in the twelve months prior to the default. A default occurs if the loan is either 90 days or more delinquent, has been charged off as of the end of the period presented or has been reclassified from accrual to nonaccrual status.

Table 4.11: TDR—Subsequent Defaults

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
(Dollars in millions)	Number of Contracts	Amount	Number of Contracts	Amount
Credit Card:				
Domestic credit card	**10,231**	**$ 16**	**20,825**	**$ 34**
International credit card[1]	**9,972**	**21**	**18,785**	**41**
Total credit card	**20,203**	**37**	**39,610**	**75**
Consumer Banking:				
Auto	**2,061**	**22**	**3,913**	**43**
Home loan	**13**	**2**	**23**	**3**
Retail banking	**10**	**1**	**25**	**3**
Total consumer banking	**2,084**	**25**	**3,961**	**49**
Commercial Banking:				
Commercial and multifamily real estate	**0**	**0**	**0**	**0**
Commercial and industrial	**3**	**14**	**20**	**37**
Total commercial lending	**3**	**14**	**20**	**37**
Small-ticket commercial real estate	**2**	**0**	**2**	**0**
Total commercial banking	**5**	**14**	**22**	**37**
Total	**22,292**	**$ 76**	**43,593**	**$ 161**

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
(Dollars in millions)	Number of Contracts	Amount	Number of Contracts	Amount
Credit Card:				
Domestic credit card	9,661	$ 16	19,328	$ 32
International credit card[1]	8,624	23	17,172	43
Total credit card	18,285	39	36,500	75
Consumer Banking:				
Auto	2,128	24	3,875	44
Home loan	2	0	7	0
Retail banking	4	0	14	1
Total consumer banking	2,134	24	3,896	45
Commercial Banking:				
Commercial and multifamily real estate	0	0	0	0
Commercial and industrial	3	17	3	17
Total commercial lending	3	17	3	17
Small-ticket commercial real estate	0	0	0	0
Total commercial banking	3	17	3	17
Total	20,422	$ 80	40,399	$ 137

[1] In the U.K., regulators require the acceptance of payment plan proposals in which the modified payments may be less than the contractual minimum amount. As a result, loans entering long-term TDR payment programs in the U.K. typically continue to age and ultimately charge off even when fully in compliance with the TDR program terms.

PCI Loans

Outstanding Balance and Carrying Value of PCI Loans

The table below presents the outstanding balance and the carrying value of PCI loans as of June 30, 2016 and December 31, 2015. The table also displays loans which would have otherwise been considered impaired at acquisition based on our applicable accounting policies. See "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K for information related to our accounting policies for impaired loans.

Table 4.12: PCI Loans

	June 30, 2016			December 31, 2015		
(Dollars in millions)	Total	Impaired Loans	Non-Impaired Loans	Total	Impaired Loans	Non-Impaired Loans
Outstanding balance	**$ 18,913**	**$ 3,550**	**$ 15,363**	$ 21,151	$ 3,840	$ 17,311
Carrying value[1]	**17,368**	**2,445**	**14,923**	19,516	2,629	16,887

[1] Includes $28 million and $37 million of allowance for loan and lease losses for these loans as of June 30, 2016 and December 31, 2015, respectively. We recorded a $9 million release and a $7 million provision for credit losses for the six months ended June 30, 2016 and 2015, respectively, for PCI loans.

Changes in Accretable Yield

The following table presents changes in the accretable yield on the PCI loans:

Table 4.13: Changes in Accretable Yield on PCI Loans

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
(Dollars in millions)	Total PCI Loans	Impaired Loans	Non-Impaired Loans	Total PCI Loans	Impaired Loans	Non-Impaired Loans
Accretable yield, beginning of period	$ 3,498	$ 1,201	$ 2,297	$ 3,483	$ 1,244	$ 2,239
Accretion recognized in earnings	**(177)**	**(57)**	**(120)**	**(361)**	**(118)**	**(243)**
Reclassifications from (to) nonaccretable difference for loans with changing cash flows[1]	**76**	**27**	**49**	**81**	**29**	**52**
Changes in accretable yield for non-credit related changes in expected cash flows[2]	**102**	**1**	**101**	**296**	**17**	**279**
Accretable yield, end of period	**$ 3,499**	**$ 1,172**	**$ 2,327**	**$ 3,499**	**$ 1,172**	**$ 2,327**

[1] Represents changes in accretable yield for those loans in pools that are driven primarily by credit performance.

[2] Represents changes in accretable yield for those loans in pools that are driven primarily by actual prepayments and changes in estimated prepayments.

Unfunded Lending Commitments

We manage the potential risk of unfunded lending commitments by limiting the total amount of arrangements, both by individual customer and in total, by monitoring the size and maturity structure of these portfolios and by applying the same credit standards for all of our credit activities. Unused credit card lines available to our customers totaled $311.6 billion and $308.3 billion as of June 30, 2016 and December 31, 2015, respectively. While these amounts represented the total available unused credit card lines, we have not experienced and do not anticipate that all of our customers will access their entire available line at any given point in time.

In addition to available unused credit card lines, we enter into commitments to extend credit that are legally binding conditional agreements having fixed expirations or termination dates and specified interest rates and purposes. These commitments generally require customers to maintain certain credit standards. Collateral requirements and loan-to-value ("LTV") ratios are the same as those for funded transactions and are established based on management's credit assessment of the customer. These commitments may expire without being drawn upon; therefore, the total commitment amount does not necessarily represent future funding requirements. The outstanding unfunded commitments to extend credit, other than credit card lines, were approximately $26.8 billion and $27.9 billion, which included $927 million and $1.0 billion of advised lines of credit as of June 30, 2016 and December 31, 2015, respectively. Advised lines of credit are not considered legally binding commitments as funding is subject to our satisfactory evaluation of the customer at the time credit is requested.

NOTE 5—ALLOWANCE FOR LOAN AND LEASE LOSSES AND RESERVE FOR UNFUNDED LENDING COMMITMENTS

Our allowance for loan and lease losses represents management's best estimate of incurred loan and lease losses inherent in our loans held for investment portfolio as of each balance sheet date. In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments, such as letters of credit, financial guarantees and binding unfunded loan commitments. The provision for losses on unfunded lending commitments is included in the provision for credit losses in our consolidated statements of income and the related reserve for unfunded lending commitments is included in other liabilities on our consolidated balance sheets. See "Note 1—Summary of Significant Accounting Policies" of our 2015 Form 10-K for further discussion on the methodology and policy for determining our allowance for loan and lease losses for each of our loan portfolio segments, as well as information on our reserve for unfunded lending commitments.

Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments Activity

The table below summarizes changes in the allowance for loan and lease losses and reserve for unfunded lending commitments by portfolio segment for the three and six months ended June 30, 2016 and 2015.

Table 5.1: Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments Activity

	Three Months Ended June 30, 2016				
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking**	**Other[1]**	**Total**
Allowance for loan and lease losses:					
Balance as of March 31, 2016	$ 3,785	$ 914	$ 714	$ 3	$ 5,416
Provision (benefit) for loan and lease losses	**1,261**	**204**	**185**	**(1)**	**1,649**
Charge-offs	**(1,215)**	**(248)**	**(64)**	**(1)**	**(1,528)**
Recoveries	**266**	**102**	**4**	**1**	**373**
Net charge-offs	**(949)**	**(146)**	**(60)**	**0**	**(1,155)**
Other changes[2]	**(11)**	**0**	**(18)**	**0**	**(29)**
Balance as of June 30, 2016	**4,086**	**972**	**821**	**2**	**5,881**
Reserve for unfunded lending commitments:					
Balance as of March 31, 2016	0	8	218	0	226
Provision (benefit) for losses on unfunded lending commitments	**0**	**0**	**(57)**	**0**	**(57)**
Balance as of June 30, 2016	**0**	**8**	**161**	**0**	**169**
Combined allowance and reserve as of June 30, 2016	**$ 4,086**	**$ 980**	**$ 982**	**$ 2**	**$ 6,050**

	Six Months Ended June 30, 2016				
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking**	**Other[1]**	**Total**
Allowance for loan and lease losses:					
Balance as of December 31, 2015	$ 3,654	$ 868	$ 604	$ 4	$ 5,130
Provision (benefit) for loan and lease losses	**2,332**	**433**	**356**	**(3)**	**3,118**
Charge-offs	**(2,437)**	**(539)**	**(112)**	**(2)**	**(3,090)**
Recoveries	**538**	**210**	**6**	**3**	**757**
Net charge-offs	**(1,899)**	**(329)**	**(106)**	**1**	**(2,333)**
Other changes[2]	**(1)**	**0**	**(33)**	**0**	**(34)**
Balance as of June 30, 2016	**4,086**	**972**	**821**	**2**	**5,881**
Reserve for unfunded lending commitments:					
Balance as of December 31, 2015	0	7	161	0	168
Provision (benefit) for losses on unfunded lending commitments	**0**	**1**	**0**	**0**	**1**
Balance as of June 30, 2016	**0**	**8**	**161**	**0**	**169**
Combined allowance and reserve as of June 30, 2016	**$ 4,086**	**$ 980**	**$ 982**	**$ 2**	**$ 6,050**

(Dollars in millions)	Three Months Ended June 30, 2015 Credit Card	Consumer Banking	Commercial Banking	Other(1)	Total
Allowance for loan and lease losses:					
Balance as of March 31, 2015	$ 3,130	$ 826	$ 444	$ 5	$ 4,405
Provision (benefit) for loan and lease losses	895	185	35	0	1,115
Charge-offs	(988)	(225)	(11)	(2)	(1,226)
Recoveries	285	89	4	2	380
Net charge-offs	(703)	(136)	(7)	0	(846)
Other changes(2)	2	0	0	0	2
Balance as of June 30, 2015	3,324	875	472	5	4,676
Reserve for unfunded lending commitments:					
Balance as of March 31, 2015	0	7	114	0	121
Provision (benefit) for losses on unfunded lending commitments	0	0	14	0	14
Balance as of June 30, 2015	0	7	128	0	135
Combined allowance and reserve as of June 30, 2015	$ 3,324	$ 882	$ 600	$ 5	$ 4,811

(Dollars in millions)	Six Months Ended June 30, 2015 Credit Card	Consumer Banking	Commercial Banking	Other(1)	Total
Allowance for loan and lease losses:					
Balance as of December 31, 2014	$ 3,204	$ 779	$ 395	$ 5	$ 4,383
Provision (benefit) for loan and lease losses	1,564	391	87	0	2,042
Charge-offs	(2,010)	(475)	(20)	(5)	(2,510)
Recoveries	588	180	10	5	783
Net charge-offs	(1,422)	(295)	(10)	0	(1,727)
Other changes(2)	(22)	0	0	0	(22)
Balance as of June 30, 2015	3,324	875	472	5	4,676
Reserve for unfunded lending commitments:					
Balance as of December 31, 2014	0	7	106	0	113
Provision (benefit) for losses on unfunded lending commitments	0	0	22	0	22
Balance as of June 30, 2015	0	7	128	0	135
Combined allowance and reserve as of June 30, 2015	$ 3,324	$ 882	$ 600	$ 5	$ 4,811

(1) Primarily consists of the legacy loan portfolio of our discontinued GreenPoint mortgage operations.

(2) Represents foreign currency translation adjustments and the net impact of loan transfers and sales.

Components of Allowance for Loan and Lease Losses by Impairment Methodology

The table below presents the components of our allowance for loan and lease losses by portfolio segment and impairment methodology with the recorded investment of the related loans as of June 30, 2016 and December 31, 2015.

Table 5.2: Components of Allowance for Loan and Lease Losses by Impairment Methodology

	June 30, 2016				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Allowance for loan and lease losses:					
Collectively evaluated[1]	**$ 3,867**	**$ 891**	**$ 599**	**$ 2**	**$ 5,359**
Asset-specific[2]	**219**	**54**	**221**	**0**	**494**
PCI loans[3]	**0**	**27**	**1**	**0**	**28**
Total allowance for loan and lease losses	**$ 4,086**	**$ 972**	**$ 821**	**$ 2**	**$ 5,881**
Loans held for investment:					
Collectively evaluated[1]	**$ 96,255**	**$ 54,116**	**$ 63,960**	**$ 82**	**$ 214,413**
Asset-specific[2]	**649**	**711**	**1,472**	**0**	**2,832**
PCI loans[3]	**0**	**16,588**	**770**	**0**	**17,358**
Total loans held for investment	**$ 96,904**	**$ 71,415**	**$ 66,202**	**$ 82**	**$ 234,603**
Allowance as a percentage of period-end loans held for investment	**4.22%**	**1.36%**	**1.24%**	**2.44%**	**2.51%**

	December 31, 2015				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Allowance for loan and lease losses:					
Collectively evaluated[1]	$ 3,445	$ 778	$ 517	$ 4	$ 4,744
Asset-specific[2]	209	54	86	0	349
PCI loans[3]	0	36	1	0	37
Total allowance for loan and lease losses	$ 3,654	$ 868	$ 604	$ 4	$ 5,130
Loans held for investment:					
Collectively evaluated[1]	$ 95,459	$ 51,113	$ 61,424	$ 88	$ 208,084
Asset-specific[2]	666	699	884	0	2,249
PCI loans[3]	0	18,560	958	0	19,518
Total loans held for investment	$ 96,125	$ 70,372	$ 63,266	$ 88	$ 229,851
Allowance as a percentage of period-end loans held for investment	3.80%	1.23%	0.95%	4.94%	2.23%

(1) The component of the allowance for loan and lease losses for credit card and other consumer loans that we collectively evaluate for impairment is based on a statistical calculation supplemented by management judgment and interpretation. The component of the allowance for loan and lease losses for commercial loans that we collectively evaluate for impairment is based on historical loss experience for loans with similar characteristics and consideration of credit quality supplemented by management judgment and interpretation.

(2) The asset-specific component of the allowance for loan and lease losses for smaller-balance impaired loans is calculated on a pool basis using historical loss experience for the respective class of assets. The asset-specific component of the allowance for loan and lease losses for larger-balance commercial loans is individually calculated for each loan.

(3) The PCI loans component of the allowance for loan and lease losses is accounted for based on expected cash flows. See "Note 1—Summary of Significant Accounting Policies" in our 2015 Form 10-K for details on these loans.

We have certain credit card partnership arrangements in which our partner agrees to share a portion of the credit losses associated with the partnership that qualify for net accounting treatment. The loss sharing amounts due from these partners result in reductions to reported net charge-offs and provision for credit losses. The table below summarizes these impacts for the three and six months ended June 30, 2016 and 2015.

Table 5.3: Summary of Loss Sharing Arrangements Impact

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Reduction in net charge-offs	**$ 53**	$ 45	**$ 105**	$ 89
Reduction in provision for credit losses	**75**	62	**130**	119

The expected reimbursement from these partners, which is netted against our allowance for loan and lease losses, was approximately $219 million and $194 million as of June 30, 2016 and December 31, 2015, respectively. See “Note 1—Summary of Significant Accounting Policies” of our 2015 Form 10-K for further discussion on our credit card partnership agreements.

NOTE 6—VARIABLE INTEREST ENTITIES AND SECURITIZATIONS

In the normal course of business, we enter into various types of transactions with entities that are considered to be VIEs. Our primary involvement with VIEs has been related to our securitization transactions in which we transferred assets from our balance sheet to securitization trusts. We have primarily securitized credit card and home loans, which have provided a source of funding for us and enabled us to transfer a certain portion of the economic risk of the loans or related debt securities to third parties.

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE. The majority of the VIEs in which we are involved have been consolidated in our financial statements.

Summary of Consolidated and Unconsolidated VIEs

The table below presents a summary of VIEs, aggregated based on VIEs with similar characteristics, in which we had continuing involvement or held a variable interest as of June 30, 2016 and December 31, 2015. We separately present information for consolidated and unconsolidated VIEs.

For consolidated VIEs, we present the carrying amount of assets and liabilities of the VIEs, which includes the seller’s interest and repurchased notes held by other related parties. The assets of consolidated VIEs primarily consist of cash and loan receivables, which we report on our consolidated balance sheets under restricted cash and loans held in consolidated trusts, respectively. The assets of a particular VIE are the primary source of funds to settle its obligations. The creditors of the VIEs typically do not have recourse to the general credit of the Company. The liabilities primarily consist of debt securities issued by the VIEs, which we report under securitized debt obligations. For unconsolidated VIEs, we present the carrying amount of assets and liabilities reflected on our consolidated balance sheets and our maximum exposure to loss. Our maximum exposure to loss is estimated based on the unlikely event that all of the assets in the VIEs become worthless and we are required to meet our maximum remaining funding obligations.

Table 6.1: Carrying Amount of Consolidated and Unconsolidated VIEs

	June 30, 2016				
	Consolidated		Unconsolidated		
(Dollars in millions)	Carrying Amount of Assets	Carrying Amount of Liabilities	Carrying Amount of Assets	Carrying Amount of Liabilities	Maximum Exposure to Loss
Securitization-Related VIEs:					
Credit card loan securitizations[1]	**$ 32,089**	**$ 16,802**	**$ 0**	**$ 0**	**$ 0**
Home loan securitizations[2]	**0**	**0**	**203**	**27**	**1,281**
Total securitization-related VIEs	**32,089**	**16,802**	**203**	**27**	**1,281**
Other VIEs:					
Affordable housing entities	**174**	**0**	**3,803**	**508**	**3,803**
Entities that provide capital to low-income and rural communities	**732**	**127**	**0**	**0**	**0**
Other	**0**	**0**	**66**	**0**	**66**
Total other VIEs	**906**	**127**	**3,869**	**508**	**3,869**
Total VIEs	**$ 32,995**	**$ 16,929**	**$ 4,072**	**$ 535**	**$ 5,150**

(Dollars in millions)	December 31, 2015 Consolidated Carrying Amount of Assets	Consolidated Carrying Amount of Liabilities	Unconsolidated Carrying Amount of Assets	Unconsolidated Carrying Amount of Liabilities	Unconsolidated Maximum Exposure to Loss
Securitization-Related VIEs:					
Credit card loan securitizations[1]	$ 34,800	$ 16,925	$ 0	$ 0	$ 0
Home loan securitizations[2]	0	0	211	27	873
Total securitization-related VIEs	34,800	16,925	211	27	873
Other VIEs:					
Affordable housing entities	0	0	3,852	555	3,852
Entities that provide capital to low-income and rural communities	352	101	0	0	0
Other	0	0	57	0	57
Total other VIEs	352	101	3,909	555	3,909
Total VIEs	$ 35,152	$ 17,026	$ 4,120	$ 582	$ 4,782

(1) Represents the carrying amount of assets and liabilities owned by the VIE, which includes the seller’s interest and repurchased notes held by other related parties.

(2) The carrying amount of assets of unconsolidated securitization-related VIEs consists of retained interests associated with the securitization of option-adjustable rate mortgage (“option-ARM”) loans and letters of credit related to manufactured housing securitizations. These are reported on our consolidated balance sheets within other assets. The carrying amount of liabilities of unconsolidated securitization-related VIEs is comprised of obligations on certain swap agreements associated with the securitizations of manufactured housing loans and other obligations. These are reported on our consolidated balance sheets within other liabilities.

Securitization-Related VIEs

In a securitization transaction, assets from our balance sheet are transferred to a trust we establish, which typically meets the definition of a VIE. Our continuing involvement in the majority of our securitization transactions consists primarily of holding certain retained interests and acting as the primary servicer on certain transactions. We also may have exposure associated with contractual obligations to repurchase previously transferred loans due to breaches of representations and warranties. See “Note 14—Commitments, Contingencies, Guarantees and Others” for information related to reserves we have established for our mortgage representation and warranty exposure.

The table below presents the securitization-related VIEs in which we had continuing involvement as of June 30, 2016 and December 31, 2015.

Table 6.2: Continuing Involvement in Securitization-Related VIEs

		Mortgage		
(Dollars in millions)	Credit Card	Option-ARM	GreenPoint HELOCs	GreenPoint Manufactured Housing
June 30, 2016:				
Securities held by third-party investors	**$ 16,130**	**$ 1,625**	**$ 65**	**$ 743**
Receivables in the trust	**31,825**	**1,680**	**59**	**748**
Cash balance of spread or reserve accounts	**0**	**8**	**N/A**	**137**
Retained interests	**Yes**	**Yes**	**Yes**	**Yes**
Servicing retained	**Yes**	**Yes** (1)	**No**	**No** (2)
Amortization event[3]	**No**	**No**	**No**	**No**
December 31, 2015:				
Securities held by third-party investors	$ 16,166	$ 1,754	$ 74	$ 789
Receivables in the trust	33,783	1,814	68	794
Cash balance of spread or reserve accounts	0	8	N/A	134
Retained interests	Yes	Yes	Yes	Yes
Servicing retained	Yes	Yes (1)	No	No (2)
Amortization event[3]	No	No	No	No

(1) We continue to service only certain option-ARM securitizations.

(2) The core servicing activities for the manufactured housing securitizations are completed by a third party.

(3) Amortization events vary according to each specific trust agreement but generally are triggered by declines in performance or credit metrics of the underlying assets, such as net charge-off rates or delinquency rates, beyond certain predetermined thresholds. Generally, the occurrence of an amortization event changes the sequencing and amount of trust-related cash flows to the benefit of more senior interest holders.

Credit Card Securitizations

We hold certain retained interests in our credit card securitizations and continue to service the receivables in these trusts. As of June 30, 2016 and December 31, 2015, we were deemed to be the primary beneficiary, and accordingly, all of these trusts have been consolidated in our financial statements.

Mortgage Securitizations

Option-ARM Loans

We had previously securitized option-ARM loans by transferring these loans to securitization trusts that had issued mortgage-backed securities to investors. The outstanding balance of debt securities held by third-party investors related to these mortgage loan securitization trusts was $1.6 billion and $1.8 billion as of June 30, 2016 and December 31, 2015, respectively.

We continue to service a portion of the remaining mortgage loans in these securitizations. We also retain rights to future cash flows arising from these securitizations, the most significant being certificated interest-only bonds issued by the trusts. We generally estimate the fair value of these retained interests based on the estimated present value of expected future cash flows, using our best estimates of the key assumptions which include credit losses, prepayment speeds and discount rates commensurate with the risks involved. For the mortgage loans that we continue to service, we do not consolidate the related trusts because we do not have the right to receive benefits nor the obligation to absorb losses that could potentially be significant to the trusts. For the remaining trusts, for which we no longer service the underlying mortgage loans, we do not consolidate these entities since we do not have the power to direct the activities that most significantly impact the economic performance of the trusts.

In connection with the securitization of certain option-ARM loans, a third party is obligated to advance a portion of any “negative amortization” resulting from monthly payments that are less than the interest accrued for that payment period. We have an agreement in place with the third party that mirrors this advance requirement. The amount advanced is tracked through mortgage-backed securities retained as part of the securitization transaction. As advances occur, we record an asset in the form of negative amortization bonds, which are held at fair value in other assets on our consolidated balance sheets. Our maximum exposure is affected by rate caps and monthly payment change caps, but the funding obligation cannot exceed the difference between the original loan balance multiplied by a preset negative amortization cap and the current unpaid principal balance.

We have also entered into certain derivative contracts related to the securitization activities. These are classified as free-standing derivatives, with fair value adjustments recorded in non-interest income in our consolidated statements of income. See “Note 9—Derivative Instruments and Hedging Activities” for further details on these derivatives.

GreenPoint Mortgage Home Equity Lines of Credit (“HELOCs”)

Our discontinued wholesale mortgage banking unit, GreenPoint Mortgage Funding Inc. (“GreenPoint”), previously sold HELOCs in whole loan sales that were subsequently securitized by third parties. GreenPoint acquired residual interests in certain of those securitization trusts. We do not consolidate these trusts because we either lack the power to direct the activities that most significantly impact the economic performance of the trusts or because we do not have the right to receive benefits or the obligation to absorb losses that could potentially be significant to the trusts. As the residual interest holder, GreenPoint is required to fund advances on the HELOCs when certain performance triggers are met due to deterioration in asset performance. On behalf of GreenPoint, we have funded cumulative advances of $30 million as of both June 30, 2016 and December 31, 2015. These advances are generally expensed as funded due to the low likelihood of recovery. We also have unfunded commitments of $5 million and $6 million related to those interests for our non-consolidated VIEs as of June 30, 2016 and December 31, 2015, respectively.

GreenPoint Credit Manufactured Housing

We have retained certain interests and obligations related to the discontinued manufactured housing operations of GreenPoint Credit, LLC, a subsidiary of GreenPoint. Such discontinued operations, including the related recourse obligations, servicing rights and the primary obligation to execute mandatory clean-up calls in certain securitization transactions were sold to a third party in 2004. We do not consolidate these securitization trusts because we do not have the power to direct the activities that most significantly impact the economic performance of the trusts as we no longer service the loans.

The unpaid principal balance of manufactured housing securitization transactions where we are the residual interest holder was $748 million and $794 million as of June 30, 2016 and December 31, 2015, respectively. In the event the third party servicer does not fulfill its obligation to exercise the clean-up calls on certain securitizations, the obligation reverts to us and we would be required to acquire a maximum of approximately $420 million of loan receivables and other assets upon our execution of these clean-up calls with the requirement to absorb any losses on the loan receivables and other assets. See “Note 14—Commitments, Contingencies, Guarantees and Others” for information related to these obligations.

We were required to fund letters of credit to cover losses on certain manufactured housing securitizations. We have the right to receive any funds remaining in the letters of credit after the securities are released. These letters of credit are included in other assets on our consolidated balance sheets and totaled $79 million and $76 million as of June 30, 2016 and December 31, 2015, respectively. We also have credit exposure on agreements that we entered into to absorb a portion of the risk of loss on certain manufactured housing securitizations not subject to the funded letters of credit. Our maximum credit exposure related to these agreements totaled $12 million and $13 million as of June 30, 2016 and December 31, 2015, respectively. These agreements are included in other liabilities on our consolidated balance sheets, and our obligation under these agreements was $8 million as of both June 30, 2016 and December 31, 2015.

Other VIEs

Affordable Housing Entities

As part of our community reinvestment initiatives, we invest in private investment funds that make equity investments in multi-family affordable housing properties. We receive affordable housing tax credits for these investments. The activities of these entities are financed with a combination of invested equity capital and debt.

We account for certain of our investments in qualified affordable housing projects using the proportional amortization method if certain criteria are met. The proportional amortization method amortizes the cost of the investment over the period in which the investor expects to receive tax credits and other tax benefits, and the resulting amortization is recognized as a component of income tax expense attributable to continuing operations. For the six months ended June 30, 2016 and 2015, we recognized amortization of $196 million and $172 million, respectively, and tax credits of $228 million and $191 million, respectively, associated with these investments within income tax provision. The carrying value of our investments in these qualified affordable housing projects was $3.7 billion and $3.5 billion as of June 30, 2016 and December 31, 2015, respectively. We are periodically required to provide additional financial or other support during the period of the investments. We had a recorded liability of $1.3 billion for these unfunded commitments as of both June 30, 2016, and December 31, 2015, which is expected to be paid from 2016 to 2019.

For those investment funds considered to be VIEs, we are not required to consolidate them if we do not have the power to direct the activities that most significantly impact the economic performance of those entities. We record our interests in these unconsolidated VIEs in loans held for investment, other assets and other liabilities on our consolidated balance sheets. Our interests consisted of assets of approximately $3.8 billion and $3.9 billion as of June 30, 2016 and December 31, 2015, respectively. Our maximum exposure to these entities is limited to our variable interests in the entities of $3.8 billion and $3.9 billion as of June 30, 2016 and December 31, 2015, respectively. The creditors of the VIEs have no recourse to our general credit and we do not provide additional financial or other support other than during the period that we are contractually required to provide it. The total assets of the unconsolidated VIE investment funds were $11.1 billion and $11.4 billion as of June 30, 2016 and December 31, 2015, respectively.

Entities that Provide Capital to Low-Income and Rural Communities

We hold variable interests in entities (“Investor Entities”) that invest in community development entities (“CDEs”) that provide debt financing to businesses and non-profit entities in low-income and rural communities. Variable interests in the CDEs held by the consolidated Investor Entities are also our variable interests. The activities of the Investor Entities are financed with a combination of invested equity capital and debt. The activities of the CDEs are financed solely with invested equity capital. We receive federal and state tax credits for these investments. We consolidate the VIEs in which we have the power to direct the activities that most significantly impact the VIE’s economic performance and where we have the obligation to absorb losses or right to receive benefits that could be potentially significant to the VIE. We have also consolidated other investments and CDEs that are not considered to be VIEs, but where we hold a controlling financial interest. The assets of the VIEs that we consolidated, which totaled approximately $732 million and $352 million as of June 30, 2016 and December 31, 2015, respectively, are reflected on our consolidated balance sheets in cash, loans held for investment, interest receivable and other assets. The liabilities are reflected in other liabilities. The creditors of the VIEs have no recourse to our general credit. We have not provided additional financial or other support other than during the period that we are contractually required to provide it.

Other

Other VIEs include variable interests that we hold in companies that promote renewable energy sources and other equity method investments. We were not required to consolidate these entities because we do not have the power to direct the activities that most significantly impact their economic performance. Our maximum exposure to these entities is limited to the investment on our consolidated balance sheets of $66 million and $57 million as of June 30, 2016 and December 31, 2015, respectively. The creditors of the other VIEs have no recourse to our general credit. We have not provided additional financial or other support other than during the period that we are contractually required to provide it.

NOTE 7—GOODWILL AND INTANGIBLE ASSETS

The table below displays the components of goodwill, intangible assets and mortgage servicing rights ("MSRs") as of June 30, 2016 and December 31, 2015. Goodwill is presented separately on our consolidated balance sheets. Intangible assets and MSRs are included in other assets on our consolidated balance sheets.

Table 7.1: Components of Goodwill, Intangible Assets and MSRs

	June 30, 2016		
(Dollars in millions)	**Carrying Amount of Assets(1)**	**Accumulated Amortization(1)**	**Net Carrying Amount**
Goodwill	**$ 14,495**	**N/A**	**$ 14,495**
Intangible assets:			
Purchased credit card relationship ("PCCR") intangibles	**2,148**	**$ (1,596)**	**552**
Core deposit intangibles	**1,391**	**(1,317)**	**74**
Other(2)	**378**	**(156)**	**222**
Total intangible assets	**3,917**	**(3,069)**	**848**
Total goodwill and intangible assets	**$ 18,412**	**$ (3,069)**	**$ 15,343**
MSRs:			
Consumer MSRs(3)	**$ 53**	**N/A**	**$ 53**
Commercial MSRs(4)	**235**	**$ (65)**	**170**
Total MSRs	**$ 288**	**$ (65)**	**$ 223**

	December 31, 2015		
(Dollars in millions)	**Carrying Amount of Assets(1)**	**Accumulated Amortization(1)**	**Net Carrying Amount**
Goodwill	$ 14,480	N/A	$ 14,480
Intangible assets:			
PCCR intangibles	2,156	$ (1,467)	689
Core deposit intangibles	1,771	(1,662)	109
Other(2)	378	(135)	243
Total intangible assets	4,305	(3,264)	1,041
Total goodwill and intangible assets	$ 18,785	$ (3,264)	$ 15,521
MSRs:			
Consumer MSRs(3)	$ 68	N/A	$ 68
Commercial MSRs(4)	212	$ (51)	161
Total MSRs	$ 280	$ (51)	$ 229

(1) Certain intangible assets that were fully amortized in prior periods were removed from our consolidated balance sheets.

(2) Primarily consists of intangibles for sponsorship relationships, brokerage relationship intangibles, partnership and other contract intangibles and trade name intangibles.

(3) Represents MSRs related to our Consumer Banking business that are carried at fair value on our consolidated balance sheets.

(4) Represents MSRs related to our Commercial Banking business that are subsequently accounted for under the amortization method and periodically assessed for impairment.

Amortization expense for amortizable intangible assets, which is presented separately in our consolidated statements of income, totaled $95 million and $196 million for the three and six months ended June 30, 2016, respectively, and $111 million and $221 million for the three and six months ended June 30, 2015, respectively.

Goodwill

The following table presents goodwill attributable to each of our business segments as of June 30, 2016 and December 31, 2015.

Table 7.2: Goodwill Attributable to Business Segments

(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Total
Balance as of December 31, 2015	$ 4,997	$ 4,600	$ 4,883	$ 14,480
Acquisitions	**6**	**0**	**18**	**24**
Other adjustments[1]	**(9)**	**0**	**0**	**(9)**
Balance as of June 30, 2016	**$ 4,994**	**$ 4,600**	**$ 4,901**	**$ 14,495**

[1] Represents foreign currency translation adjustments.

NOTE 8—DEPOSITS AND BORROWINGS

Deposits

Our deposits, which are our largest source of funding for our assets and operations, consist of non-interest-bearing and interest-bearing deposits, which include checking accounts, money market deposit accounts, negotiable order of withdrawals, savings deposits and time deposits.

Securitized and Unsecured Debt Obligations

In addition to our deposits, which serve as our primary funding source, we use a variety of other funding sources including short-term borrowings, the issuance of senior and subordinated notes and other borrowings, and securitization transactions. In addition, we utilize FHLB advances, which are secured by certain portions of our loan and investment securities portfolios, for our funding needs. The securitized debt obligations are separately presented on our consolidated balance sheets as they represent obligations of consolidated securitization trusts, while federal funds purchased and securities loaned or sold under agreements to repurchase, senior and subordinated notes and other borrowings, including FHLB advances, are included in other debt on our consolidated balance sheets.

Securitized Debt Obligations

Our outstanding borrowings due to securitization investors decreased to $16.1 billion as of June 30, 2016, from $16.2 billion as of December 31, 2015. During the first six months of 2016, approximately $1.9 billion of new debt was issued to third-party investors from our credit card loan securitization trust offset by $2.0 billion of maturities.

Senior and Subordinated Notes

As of June 30, 2016, we had $21.9 billion of senior and subordinated notes outstanding, inclusive of fair value hedging adjustments of $379 million. As of December 31, 2015, we had $21.8 billion of senior and subordinated notes outstanding, inclusive of fair value hedging adjustments of $134 million. During the first six months of 2016, $500 million of outstanding unsecured notes were retired. See "Note 9—Derivative Instruments and Hedging Activities" for information about our fair value hedging activities.

FHLB Advances and Other

We have access to funding through the FHLB system and the Federal Reserve Discount Window. Our FHLB and Federal Reserve memberships require us to hold FHLB and Federal Reserve stock which totaled $2.1 billion as of both June 30, 2016 and December 31, 2015, and are included in other assets on our consolidated balance sheets.

Our FHLB advances and lines of credit are secured by our investment securities, residential home loans, multifamily real estate loans, commercial real estate loans and HELOCs. The outstanding FHLB advances totaled $20.1 billion as of both June 30, 2016 and December 31, 2015, substantially all of which represented long-term advances generally callable on either a one-month or a three-month basis. We did not access the Federal Reserve Discount Window for funding during 2015 or the first six months of 2016.

Composition of Deposits, Short-Term Borrowings and Long-Term Debt

The table below summarizes the components of our deposits, short-term borrowings and long-term debt as of June 30, 2016 and December 31, 2015. Our total short-term borrowings consist of federal funds purchased and securities loaned or sold under agreements to repurchase and other short-term borrowings with an original contractual maturity of one year or less. Our long-term debt consists of borrowings with an original contractual maturity of greater than one year. The amounts presented for outstanding borrowings include unamortized debt premiums and discounts, net of debt issuance costs and fair value hedge accounting adjustments.

Table 8.1: Components of Deposits, Short-Term Borrowings and Long-Term Debt

(Dollars in millions)	June 30, 2016	December 31, 2015
Deposits:		
Non-interest-bearing deposits	**$ 25,424**	$ 25,847
Interest-bearing deposits	**195,635**	191,874
Total deposits	**$ 221,059**	$ 217,721
Short-term borrowings:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	**$ 999**	$ 981
Total short-term borrowings	**$ 999**	$ 981

	June 30, 2016				
(Dollars in millions)	Maturity Dates	Interest Rates	Weighted-Average Interest Rate	Outstanding Amount	December 31, 2015
Long-term debt:					
Securitized debt obligations[1]	**2016 - 2025**	**0.48 - 5.75%**	**1.46%**	**$ 16,130**	$ 16,166
Senior and subordinated notes:[1]					
Fixed unsecured senior debt	**2016 - 2025**	**1.15 - 6.75**	**2.72**	**16,924**	16,559
Floating unsecured senior debt	**2018**	**1.31 - 1.78**	**1.51**	**699**	1,198
Total unsecured senior debt			**2.67**	**17,623**	17,757
Fixed unsecured subordinated debt	**2016 - 2025**	**3.38 - 8.80**	**4.70**	**4,249**	4,080
Total senior and subordinated notes				**21,872**	21,837
Other long-term borrowings:					
FHLB advances	**2016 - 2025**	**0.42 - 6.41**	**0.52**	**20,147**	20,098
Capital lease obligations	**2016 - 2035**	**3.09 - 12.86**	**4.17**	**33**	33
Total other long-term borrowings				**20,180**	20,131
Total long-term debt				**$ 58,182**	$ 58,134
Total short-term borrowings and long-term debt				**$ 59,181**	$ 59,115

(1) Outstanding amount includes any fair value hedge accounting adjustments.

Components of Interest Expense

The following table displays interest expense attributable to short-term borrowings and long-term debt for the three and six months ended June 30, 2016 and 2015:

Table 8.2: Components of Interest Expense on Short-Term Borrowings and Long-Term Debt

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Short-term borrowings:				
Federal funds purchased and securities loaned or sold under agreements to repurchase	**$ 1**	$ 1	**$ 2**	$ 1
FHLB advances	**0**	1	**0**	9
Total short-term borrowings	**1**	2	**2**	10
Long-term debt:				
Securitized debt obligations[1]	**47**	36	**95**	69
Senior and subordinated notes[1]	**111**	80	**217**	159
Other long-term borrowings	**27**	10	**50**	17
Total long-term debt	**185**	126	**362**	245
Total interest expense on short-term borrowings and long-term debt	**$ 186**	$ 128	**$ 364**	$ 255

(1) Interest expense includes the impact from hedge accounting.

NOTE 9—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Use of Derivatives

We manage asset and liability positions and market risk exposure and limits in accordance with market risk management policies that are approved by our Board of Directors. Our primary market risks stem from the impact on our earnings and economic value of equity from changes in interest rates and, to a lesser extent, changes in foreign exchange rates. We employ several techniques to manage our interest rate sensitivity, which include changing the duration and re-pricing characteristics of various assets and liabilities by using interest rate derivatives. Our current policies also include the use of derivatives to hedge exposures denominated in foreign currency so we may limit our earnings and capital ratio exposures to foreign exchange risk. We execute our derivative contracts in both the over-the-counter ("OTC") and exchange-traded derivative markets, and clear eligible derivative transactions through Central Counterparty Clearinghouses ("CCPs") or often referred to as "central clearinghouses" as required under the Dodd-Frank Act. The majority of our derivatives are interest rate swaps. In addition, we may use a variety of other derivative instruments, including caps, floors, options, futures and forward contracts, to manage our interest rate and foreign exchange risks. We offer various interest rate, foreign exchange rate and commodity derivatives as an accommodation to our customers within our Commercial Banking business, and usually offset our exposure through derivative transactions with other counterparties.

Accounting for Derivatives

Our derivatives are designated as either qualifying accounting hedges or free-standing derivatives. Qualifying accounting hedges are designated as fair value hedges, cash flow hedges or net investment hedges. Free-standing derivatives primarily consist of customer-accommodation derivatives and economic hedges that do not qualify for hedge accounting.

- *Fair Value Hedges:* We designate derivatives as fair value hedges when they are used to manage our exposure to changes in the fair value of certain financial assets and liabilities, which fluctuate in value as a result of movements in interest rates. Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings together with offsetting changes in the fair value of the hedged item and any resulting ineffectiveness. Our fair value hedges consist of interest rate swaps that are intended to modify our exposure to interest rate risk on various fixed-rate assets and liabilities.

- *Cash Flow Hedges:* We designate derivatives as cash flow hedges when they are used to manage our exposure to variability in cash flows related to forecasted transactions. Changes in the fair value of derivatives designated as cash flow hedges are recorded as a component of AOCI, to the extent that the hedge relationships are effective, and amounts are reclassified from AOCI to earnings as the forecasted transactions impact earnings. To the extent that any ineffectiveness exists in the hedge relationships, the amounts are recorded in current period earnings. Our cash flow hedges use interest rate swaps and floors that are intended to hedge the variability in interest receipts or interest payments on some of our variable-rate assets or liabilities. We also enter into foreign currency forward derivative contracts to hedge our exposure to variability in cash flows related to intercompany borrowings denominated in foreign currency.

- *Net Investment Hedges:* We use net investment hedges to manage the foreign currency exposure related to our net investments in foreign operations that have functional currencies other than the U.S. dollar. Changes in the fair value of net investment hedges are recorded in the translation adjustment component of AOCI, offsetting the translation gain or loss from those foreign operations. We execute net investment hedges using foreign exchange forward contracts to hedge the translation exposure of the net investment in our foreign operations.

- *Free-Standing Derivatives:* We use free-standing derivatives to hedge the risk of changes in the fair value of residential MSRs, mortgage loan origination and purchase commitments and other interests held. We also categorize our customer accommodation derivatives and the related offsetting contracts as free-standing derivatives. Changes in the fair value of free-standing derivatives are recorded in earnings as a component of other non-interest income.

Balance Sheet Presentation

The following table summarizes the notional and fair values of our derivative instruments on a gross basis as of June 30, 2016 and December 31, 2015, which are segregated by derivatives that are designated as accounting hedges and those that are not, and are further segregated by type of contract within those two categories. The total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and any associated cash collateral received or paid.

Table 9.1: Derivative Assets and Liabilities at Fair Value

	June 30, 2016			December 31, 2015		
	Notional or Contractual Amount	Derivative[1]		Notional or Contractual Amount	Derivative[1]	
(Dollars in millions)		Assets	Liabilities		Assets	Liabilities
Derivatives designated as accounting hedges:						
Interest rate contracts:						
Fair value hedges	**$ 34,239**	**$ 840**	**$ 84**	$ 34,417	$ 550	$ 146
Cash flow hedges	**39,800**	**993**	**21**	30,450	167	61
Total interest rate contracts	**74,039**	**1,833**	**105**	64,867	717	207
Foreign exchange contracts:						
Cash flow hedges	**5,688**	**110**	**83**	5,580	239	2
Net investment hedges	**2,467**	**155**	**0**	2,562	87	0
Total foreign exchange contracts	**8,155**	**265**	**83**	8,142	326	2
Total derivatives designated as accounting hedges	**82,194**	**2,098**	**188**	73,009	1,043	209
Derivatives not designated as accounting hedges:						
Interest rate contracts covering:						
MSRs[2]	**1,204**	**34**	**16**	1,665	11	7
Customer accommodation	**32,457**	**786**	**656**	28,841	431	290
Other interest rate exposures[3]	**2,961**	**51**	**35**	1,519	33	10
Total interest rate contracts	**36,622**	**871**	**707**	32,025	475	307
Other contracts	**996**	**2**	**10**	882	0	4
Total derivatives not designated as accounting hedges	**37,618**	**873**	**717**	32,907	475	311
Total derivatives	**$ 119,812**	**$ 2,971**	**$ 905**	$ 105,916	$ 1,518	$ 520
Less: netting adjustment[4]		**(534)**	**(369)**		(532)	(143)
Total derivative assets/liabilities		**$ 2,437**	**$ 536**		$ 986	$ 377

(1) Derivative assets and liabilities include interest accruals.

(2) Includes interest rate swaps and to-be-announced contracts.

(3) Other interest rate exposures include mortgage-related derivatives.

(4) Represents balance sheet netting of derivative assets and liabilities, and related payables and receivables for cash collateral held or placed with the same counterparty. See Table 9.2 for further information.

Offsetting of Financial Assets and Liabilities

Derivative contracts and repurchase agreements that we execute bilaterally in the OTC market are governed by enforceable master netting arrangements where we generally have the right to offset exposure with the same counterparty. Either counterparty can generally request to net settle all contracts through a single payment upon default on, or termination of, any one contract. We elect to offset the derivative assets and liabilities under netting arrangements for balance sheet presentation where a right of setoff exists. Derivative contracts that are cleared with central clearinghouses through our Future Commission Merchants ("FCMs") are not subject to offsetting due to the uncertainty existing around an end-user's ability to setoff these derivative contracts. Therefore, as of June 30, 2016 and December 31, 2015, we did not offset our derivative positions cleared through clearinghouses.

We also maintain collateral agreements with certain derivative counterparties. We review our collateral positions on a daily basis and exchange collateral with our counterparties in accordance with standard International Swaps and Derivatives Association documentation, central clearing rules and other related agreements. For OTC derivatives, agreements with certain counterparties require both parties to maintain collateral in the event the fair values of derivative instruments exceed established exposure thresholds. For centrally cleared derivatives, we are subject to initial margin posting and variation margin exchange with the central clearinghouses. Acceptable types of collateral are typically in the form of cash or high quality liquid securities.

The exchange of collateral is dependent upon the fair value of the derivative instruments as well as the fair value of the pledged collateral. When valuing collateral, an estimate of the variation in price and liquidity over time is subtracted in the form of a "haircut" to discount the value of the collateral pledged.

The following table presents as of June 30, 2016 and December 31, 2015 the gross and net fair values of our derivative assets and liabilities and repurchase agreements, as well as the related offsetting amounts permitted under U.S. GAAP. The table also includes cash and non-cash collateral received or pledged associated with such arrangements. The collateral amounts shown are limited to the extent of the related net derivative fair values or outstanding balances, thus instances of over-collateralization are not shown.

Table 9.2: Offsetting of Financial Assets and Financial Liabilities

		Gross Amounts Offset in the Balance Sheet				
(Dollars in millions)	**Gross Amounts**	**Financial Instruments**	**Cash Collateral Received**	**Net Amounts as Recognized**	**Securities Collateral Held Under Master Netting Agreements**	**Net Exposure**
As of June 30, 2016						
Derivatives assets[1]	**$ 2,971**	**$ (180)**	**$ (354)**	**$ 2,437**	**$ (14)**	**$ 2,423**
As of December 31, 2015						
Derivatives assets[1]	1,518	(86)	(446)	986	(156)	830

		Gross Amounts Offset in the Balance Sheet				
(Dollars in millions)	**Gross Amounts**	**Financial Instruments**	**Cash Collateral Pledged**	**Net Amounts as Recognized**	**Securities Collateral Pledged Under Master Netting Agreements**	**Net Exposure**
As of June 30, 2016						
Derivatives liabilities[1]	**$ 905**	**$ (180)**	**$ (189)**	**$ 536**	**$ 0**	**$ 536**
Repurchase agreements[2][3]	**999**	**0**	**0**	**999**	**(999)**	**0**
As of December 31, 2015						
Derivatives liabilities[1]	520	(86)	(57)	377	0	377
Repurchase agreements[2]	969	0	0	969	(969)	0

(1) The gross balances include derivative assets and derivative liabilities as of June 30, 2016 totaling $1.6 billion and $439 million, respectively, related to the centrally cleared derivative contracts. The comparable amounts as of December 31, 2015 totaled $429 million and $314 million, respectively. These contracts were not subject to offsetting as of June 30, 2016 and December 31, 2015.

(2) As of June 30, 2016 and December 31, 2015, the Company only had repurchase obligations outstanding and did not have any reverse repurchase receivables.

(3) Represents customer repurchase agreements that mature the next business day. As of June 30, 2016, we pledged collateral with a fair value of $1.0 billion under these customer repurchase agreements, which were primarily agency RMBS securities.

Credit Risk-Related Contingency Features and Collateral

Certain of our derivative contracts include provisions requiring that our debt maintain a credit rating of investment grade or above by each of the major credit rating agencies. In the event of a downgrade of our debt credit rating below investment grade, some of our derivative counterparties would have the right to terminate the derivative contract and close out the existing positions, or demand immediate and ongoing full overnight collateralization on derivative instruments in a net liability position. Certain of our derivative contracts may also allow, in the event of a downgrade of our debt credit rating of any kind, our derivative counterparties to demand additional collateralization on such derivative instruments in a net liability position. We posted $215 million and $304 million of cash collateral as of June 30, 2016 and December 31, 2015, respectively. If our debt credit rating were to fall below investment grade, we would be required to post $46 million and $55 million of additional collateral as of June 30, 2016 and

December 31, 2015, respectively. The fair value of derivative instruments with credit risk-related contingent features in a net liability position was less than $1 million as of both June 30, 2016 and December 31, 2015.

Derivatives Counterparty Credit Risk

OTC derivative instruments contain an element of credit risk that arises from the potential failure of a counterparty to perform according to the terms of the contract. Our exposure to derivative counterparty credit risk, at any point in time, is represented by the fair value of derivatives in a gain position, or derivative asset position, assuming no recoveries of underlying collateral. To mitigate the risk of counterparty default, we enter into legally enforceable master netting agreements and also maintain collateral agreements, where possible, with certain derivative counterparties. We generally enter into these agreements on a bilateral basis with our counterparties. These bilateral agreements typically provide for the right to offset exposures and require both parties to maintain collateral in the event the fair values of derivative instruments exceed established thresholds. However, since June 2013 we have begun to clear eligible OTC derivatives through a central clearinghouse in accordance with the requirements under Title VII of the Dodd-Frank Act. We received cash collateral from derivative counterparties totaling $1.1 billion and $544 million as of June 30, 2016 and December 31, 2015, respectively. We also received securities from derivative counterparties with a fair value of $15 million and $172 million as of June 30, 2016 and December 31, 2015, respectively, which we have the ability to re-pledge.

The regulatory requirement to clear eligible derivatives with central clearinghouses effectively reduces our overall counterparty credit exposure. It however increases our credit exposure to CCPs and FCMs. We are required to execute Cleared Derivatives Execution Agreements with each of our FCMs. The use of FCMs also helps mitigate operational risks. Certain of our agreements governing derivative transactions include provisions that may require us to post more collateral or otherwise change terms in our agreements under certain circumstances.

We record counterparty credit risk valuation adjustments on our OTC derivative contracts to properly reflect the credit quality of the counterparty. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining the counterparty credit risk valuation adjustment, which may be adjusted in future periods due to changes in the fair value of the derivative contracts, collateral and creditworthiness of the counterparty. The cumulative counterparty credit risk valuation adjustment recorded on our consolidated balance sheets as a reduction to the derivative asset balance was $7 million and $4 million as of June 30, 2016 and December 31, 2015, respectively. We also adjust the fair value of our derivative liabilities to reflect the impact of our own credit quality. We calculate this adjustment by comparing the spreads on our credit default swaps to the discount benchmark curve. The cumulative credit risk valuation adjustment related to our credit quality recorded on our consolidated balance sheets as a reduction in the derivative liability balance was less than $1 million as of both June 30, 2016 and December 31, 2015.

Income Statement Presentation and AOCI

The following table summarizes the impact of derivatives and the related hedged items in our consolidated statements of income and AOCI.

Fair Value Hedges and Free-Standing Derivatives

The net gains (losses) recognized in earnings related to derivatives in fair value hedging relationships and free-standing derivatives are presented below for the three and six months ended June 30, 2016 and 2015.

Table 9.3: Gains and Losses on Fair Value Hedges and Free-Standing Derivatives

(Dollars in millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Derivatives designated as accounting hedges:[1]				
Fair value interest rate contracts:				
Gains (losses) recognized in earnings on derivatives	**$ 182**	$ (223)	**$ 390**	$ (70)
Gains (losses) recognized in earnings on hedged items	**(175)**	211	**(367)**	63
Net fair value hedge ineffectiveness gains (losses)	**7**	(12)	**23**	(7)
Derivatives not designated as accounting hedges:[1]				
Interest rate contracts covering:				
MSRs	**8**	(9)	**18**	(3)
Customer accommodation	**7**	5	**12**	9
Other interest rate exposures	**16**	16	**31**	18
Total interest rate contracts	**31**	12	**61**	24
Other contracts	**(9)**	0	**(9)**	(2)
Total gains (losses) on derivatives not designated as accounting hedges	**22**	12	**52**	22
Net derivative gains (losses) recognized in earnings	**$ 29**	$ 0	**$ 75**	$ 15

(1) Amounts are recorded in our consolidated statements of income in other non-interest income.

Cash Flow and Net Investment Hedges

The table below shows the net gains (losses) related to derivatives designated as cash flow hedges and net investment hedges for the three and six months ended June 30, 2016 and 2015.

Table 9.4: Gains and Losses on Derivatives Designated as Cash Flow Hedges and Net Investment Hedges

(Dollars in millions)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Gains (losses) recorded in AOCI:				
Cash flow hedges:				
Interest rate contracts	**$ 192**	$ (33)	**$ 618**	$ 177
Foreign exchange contracts	**0**	(6)	**0**	(11)
Subtotal	**192**	(39)	**618**	166
Net investment hedges:				
Foreign exchange contracts	**122**	(97)	**163**	(22)
Net derivatives gains (losses) recognized in AOCI	**$ 314**	$ (136)	**$ 781**	$ 144
Gains (losses) recorded in earnings:				
Cash flow hedges:				
Gains (losses) reclassified from AOCI into earnings:				
Interest rate contracts[1]	**$ 48**	$ 50	**$ 98**	$ 97
Foreign exchange contracts[2]	**1**	(8)	**0**	(12)
Subtotal	**49**	42	**98**	85
Gains (losses) recognized in earnings due to ineffectiveness:				
Interest rate contracts[2]	**0**	0	**3**	2
Net derivative gains (losses) recognized in earnings	**$ 49**	$ 42	**$ 101**	$ 87

(1) Amounts reclassified are recorded in our consolidated statements of income in interest income or interest expense.

(2) Amounts are recorded in our consolidated statements of income in other non-interest income or other interest income.

In the next 12 months, we expect to reclassify to earnings net after-tax gains of $186 million currently recorded in AOCI as of June 30, 2016. These amounts will offset the cash flows associated with the hedged forecasted transactions. The maximum length of time over which forecasted transactions were hedged was approximately five years as of June 30, 2016. The amount we expect to reclassify into earnings may change as a result of changes in market conditions and ongoing actions taken as part of our overall risk management strategy.

NOTE 10—STOCKHOLDERS' EQUITY

Preferred Stock

The following table summarizes the Company's preferred stock issued and outstanding as of June 30, 2016 and December 31, 2015.

Table 10.1: Preferred Stock Issued and Outstanding

Series	Description	Issuance Date	Redeemable by Issuer Beginning	Per Annum Dividend Rate	Dividend Frequency	Liquidation Preference per Share	Total Shares Outstanding	Carrying Value (in millions) June 30, 2016	Carrying Value (in millions) December 31, 2015
Series B[1]	6.00% Non-Cumulative	August 20, 2012	September 1, 2017	6.00%	Quarterly	$ 1,000	875,000	**$ 853**	$ 853
Series C[1]	6.25% Non-Cumulative	June 12, 2014	September 1, 2019	6.25	Quarterly	1,000	500,000	**484**	484
Series D[1]	6.70% Non-Cumulative	October 31, 2014	December 1, 2019	6.70	Quarterly	1,000	500,000	**485**	485
Series E	Fixed-to-Floating Rate Non-Cumulative	May 14, 2015	June 1, 2020	5.55% through 5/31/2020; 3-mo. LIBOR+ 380 bps thereafter	Semi-Annually through 5/31/2020; Quarterly thereafter	1,000	1,000,000	**988**	988
Series F[1]	6.20% Non-Cumulative	August 24, 2015	December 1, 2020	6.20	Quarterly	1,000	500,000	**484**	484
Total								**$ 3,294**	$ 3,294

[1] Ownership is held in the form of depositary shares, each representing a 1/40th interest in a share of fixed-rate non-cumulative perpetual preferred stock.

Accumulated Other Comprehensive Income

The following table presents the changes in AOCI by component for the three and six months ended June 30, 2016 and 2015.

Table 10.2: Accumulated Other Comprehensive Income

	Three Months Ended June 30, 2016					
(Dollars in millions)	Securities Available for Sale	Securities Held to Maturity[1]	Cash Flow Hedges	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of March 31, 2016	$ 349	$ (704)	$ 497	$ (142)	$ (41)	$ (41)
Other comprehensive income (loss) before reclassifications	**137**	**0**	**192**	**(30)**	**8**	**307**
Amounts reclassified from AOCI into earnings	**(1)**	**25**	**(49)**	**0**	**0**	**(25)**
Net other comprehensive income (loss)	**136**	**25**	**143**	**(30)**	**8**	**282**
AOCI as of June 30, 2016	**$ 485**	**$ (679)**	**$ 640**	**$ (172)**	**$ (33)**	**$ 241**

	Six Months Ended June 30, 2016					
(Dollars in millions)	Securities Available for Sale	Securities Held to Maturity[1]	Cash Flow Hedges	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of December 31, 2015	$ 162	$ (725)	$ 120	$ (143)	$ (30)	$ (616)
Other comprehensive income (loss) before reclassifications	**319**	**0**	**618**	**(29)**	**(5)**	**903**
Amounts reclassified from AOCI into earnings	**4**	**46**	**(98)**	**0**	**2**	**(46)**
Net other comprehensive income (loss)	**323**	**46**	**520**	**(29)**	**(3)**	**857**
AOCI as of June 30, 2016	**$ 485**	**$ (679)**	**$ 640**	**$ (172)**	**$ (33)**	**$ 241**

(Dollars in millions)	Three Months Ended June 30, 2015 Securities Available for Sale	Securities Held to Maturity[1]	Cash Flow Hedges	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of March 31, 2015	$ 532	$ (801)	$ 172	$ (92)	$ (23)	$ (212)
Other comprehensive income (loss) before reclassifications	(171)	0	(39)	35	0	(175)
Amounts reclassified from AOCI into earnings	5	27	(42)	0	0	(10)
Net other comprehensive income (loss)	(166)	27	(81)	35	0	(185)
AOCI as of June 30, 2015	$ 366	$ (774)	$ 91	$ (57)	$ (23)	$ (397)

(Dollars in millions)	Six Months Ended June 30, 2015 Securities Available for Sale	Securities Held to Maturity[1]	Cash Flow Hedges	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of December 31, 2014	$ 410	$ (821)	$ 10	$ (8)	$ (21)	$ (430)
Other comprehensive income (loss) before reclassifications	(57)	0	166	(49)	(1)	59
Amounts reclassified from AOCI into earnings	13	47	(85)	0	(1)	(26)
Net other comprehensive income (loss)	(44)	47	81	(49)	(2)	33
AOCI as of June 30, 2015	$ 366	$ (774)	$ 91	$ (57)	$ (23)	$ (397)

[1] The amortization of unrealized holding gains or losses reported in AOCI for securities held to maturity will be offset by the amortization of premium or discount created from the transfer of securities from available for sale to held to maturity, which occurred at fair value. These unrealized gains or losses will be amortized over the remaining life of the security with no expected impact on future net income.

[2] Includes the impact from hedging instruments designated as net investment hedges.

The following table presents the impacts on net income of amounts reclassified from each component of AOCI for the three and six months ended June 30, 2016 and 2015.

Table 10.3: Reclassifications from AOCI

(Dollars in millions)		Amount Reclassified from AOCI			
		Three Months Ended June 30,		Six Months Ended June 30,	
AOCI Components	**Affected Income Statement Line Item**	**2016**	**2015**	**2016**	**2015**
Securities available for sale:					
	Non-interest income	**$ 2**	$ (1)	**$ 2**	$ 1
	Non-interest income - OTTI	**(1)**	(7)	**(9)**	(22)
	Income (loss) from continuing operations before income taxes	**1**	(8)	**(7)**	(21)
	Income tax provision (benefit)	**0**	(3)	**(3)**	(8)
	Net income (loss)	**1**	(5)	**(4)**	(13)
Securities held to maturity:[1]					
	Interest income	**(40)**	(40)	**(73)**	(73)
	Income tax provision (benefit)	**(15)**	(13)	**(27)**	(26)
	Net income (loss)	**(25)**	(27)	**(46)**	(47)
Cash flow hedges:					
Interest rate contracts:	Interest income	**78**	78	**157**	153
Foreign exchange contracts:	Interest income	**1**	0	**0**	0
	Non-interest income	**0**	(12)	**(1)**	(19)
	Income (loss) from continuing operations before income taxes	**79**	66	**156**	134

(Dollars in millions)		Amount Reclassified from AOCI			
		Three Months Ended June 30,		Six Months Ended June 30,	
AOCI Components	**Affected Income Statement Line Item**	**2016**	**2015**	**2016**	**2015**
	Income tax provision (benefit)	**$ 30**	$ 24	**$ 58**	$ 49
	Net income (loss)	**49**	42	**98**	85
Other:					
	Various (pension and other)	**0**	1	**(2)**	2
	Income tax provision (benefit)	**0**	1	**0**	1
	Net income (loss)	**0**	0	**(2)**	1
Total reclassifications		**$ 25**	$ 10	**$ 46**	$ 26

(1) The amortization of unrealized holding gains or losses reported in AOCI for securities held to maturity will be offset by the amortization of premium or discount created from the transfer of securities from available for sale to held to maturity, which occurred at fair value. These unrealized gains or losses will be amortized over the remaining life of the security with no expected impact on future net income.

The table below summarizes other comprehensive income activity and the related tax impact for the three and six months ended June 30, 2016 and 2015.

Table 10.4: Other Comprehensive Income (Loss)

	Three Months Ended June 30,					
	2016			2015		
(Dollars in millions)	Before Tax	Provision (Benefit)	After Tax	Before Tax	Provision (Benefit)	After Tax
Other comprehensive income (loss):						
Net unrealized gains (losses) on securities available for sale	**$ 212**	**$ 76**	**$ 136**	$ (259)	$ (93)	$ (166)
Net changes in securities held to maturity	**41**	**16**	**25**	40	13	27
Net unrealized gains (losses) on cash flow hedges	**227**	**84**	**143**	(129)	(48)	(81)
Foreign currency translation adjustments[1]	**40**	**70**	**(30)**	(21)	(56)	35
Other	**12**	**4**	**8**	0	0	0
Other comprehensive income (loss)	**$ 532**	**$ 250**	**$ 282**	$ (369)	$ (184)	$ (185)

	Six Months Ended June 30,					
	2016			2015		
(Dollars in millions)	Before Tax	Provision (Benefit)	After Tax	Before Tax	Provision (Benefit)	After Tax
Other comprehensive income (loss):						
Net unrealized gains on securities available for sale	**$ 508**	**$ 185**	**$ 323**	$ (69)	$ (25)	$ (44)
Net changes in securities held to maturity	**74**	**28**	**46**	73	26	47
Net unrealized gains on cash flow hedges	**827**	**307**	**520**	129	48	81
Foreign currency translation adjustments[1]	**66**	**95**	**(29)**	(62)	(13)	(49)
Other	**(5)**	**(2)**	**(3)**	(4)	(2)	(2)
Other comprehensive income (loss)	**$ 1,470**	**$ 613**	**$ 857**	$ 67	$ 34	$ 33

(1) Includes the impact from hedging instruments designated as net investment hedges.

NOTE 11—EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

Table 11.1: Computation of Basic and Diluted Earnings per Common Share

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars and shares in millions, except per share data)	**2016**	**2015**	**2016**	**2015**
Income from continuing operations, net of tax	**$ 943**	$ 852	**$ 1,961**	$ 1,986
Income (loss) from discontinued operations, net of tax	**(1)**	11	**(6)**	30
Net income	**942**	863	**1,955**	2,016
Dividends and undistributed earnings allocated to participating securities[1]	**(6)**	(4)	**(12)**	(10)
Preferred stock dividends	**(65)**	(29)	**(102)**	(61)
Net income available to common stockholders	**$ 871**	$ 830	**$ 1,841**	$ 1,945
Total weighted-average basic shares outstanding	**511.7**	545.6	**517.6**	548.0
Effect of dilutive securities:				
Stock options	**2.0**	2.8	**1.9**	2.7
Other contingently issuable shares	**1.2**	1.1	**1.2**	1.3
Warrants[2]	**1.6**	2.5	**1.6**	2.7
Total effect of dilutive securities	**4.8**	6.4	**4.7**	6.7
Total weighted-average diluted shares outstanding	**516.5**	552.0	**522.3**	554.7
Basic earnings per common share:				
Net income from continuing operations	**$ 1.70**	$ 1.50	**$ 3.57**	$ 3.49
Income (loss) from discontinued operations	**0.00**	0.02	**(0.01)**	0.06
Net income per basic common share	**$ 1.70**	$ 1.52	**$ 3.56**	$ 3.55
Diluted earnings per common share:[3]				
Net income from continuing operations	**$ 1.69**	$ 1.48	**$ 3.53**	$ 3.45
Income (loss) from discontinued operations	**0.00**	0.02	**(0.01)**	0.06
Net income per diluted common share	**$ 1.69**	$ 1.50	**$ 3.52**	$ 3.51

(1) Includes undistributed earnings allocated to participating securities using the two-class method under the accounting guidance for computing earnings per share.

(2) Represents warrants issued as part of the U.S. Department of Treasury's Troubled Assets Relief Program ("TARP"). As of June 30, 2016, there were 4.1 million warrants to purchase common stock outstanding.

(3) Excluded from the computation of diluted earnings per share were 2.1 million shares related to options with exercise prices ranging from $63.73 to $82.62, and 2.5 million shares related to options with exercise prices ranging from $63.73 to $88.81 for the three and six months ended June 30, 2016, respectively, and 1.7 million shares related to options with exercise prices ranging from $74.96 to $88.81, and 1.9 million shares related to options with exercise prices ranging from $70.96 to $88.81 for the three and six months ended June 30, 2015, respectively, because their inclusion would be anti-dilutive.

NOTE 12—FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (also referred to as an exit price). The fair value accounting guidance provides a three-level fair value hierarchy for classifying financial instruments. This hierarchy is based on the markets in which the assets or liabilities trade and whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. The fair value measurement of a financial asset or liability is assigned a level based on the lowest level of any input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are described below:

Level 1:	Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Valuation is based on observable market-based inputs, other than quoted prices in active markets for identical assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.
Level 3:	Valuation is generated from techniques that use significant assumptions not observable in the market. Valuation techniques include pricing models, discounted cash flow methodologies or similar techniques.

The accounting guidance for fair value measurements requires that we maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. The accounting guidance provides for the irrevocable option to elect, on a contract-by-contract basis, to measure certain financial assets and liabilities at fair value at inception of the contract and record any subsequent changes in fair value in earnings. We have not made any material fair value option elections as of or for the periods disclosed herein.

For additional information on the valuation techniques used in estimating the fair value of our financial assets and liabilities on a recurring or nonrecurring basis and for estimating the fair value for financial instruments that are not recorded at fair value, see “Note 19—Fair Value Measurement” in our 2015 Form 10-K.

Fair Value Governance and Control

We have a governance framework and a number of key controls that are intended to ensure that our fair value measurements are appropriate and reliable. Our governance framework provides for independent oversight and segregation of duties. Our control processes include review and approval of new transaction types, price verification and review of valuation judgments, methods, models, process controls and results.

Groups independent of our trading and investing functions, including our Corporate Valuations Group (“CVG”), Fair Value Committee (“FVC”) and Model Validation Group (“MVG”), participate in the review and validation process.

The CVG, which is independent of the front office and the valuation providers, performs periodic verification of fair value measurements to determine if assigned fair values are reasonable. Prices based on third party pricing providers are checked against available market information including prices from other market sources.

The FVC, which includes representation from business areas, our Risk Management and Finance functions, provides guidance and oversight to ensure an appropriate valuation control environment. The FVC regularly reviews and approves changes in valuation methodologies to ensure that our valuation practices are consistent with industry standards and adhere to regulatory and accounting guidance.

We have a model policy, established by an independent Model Risk Office, which governs the validation of models and related supporting documentation to ensure the appropriate use of models for pricing. The MVG is part of the Model Risk Office and validates all models and provides ongoing monitoring of their performance.

The fair valuation governance process is set up in a manner that allows the Chairperson of the FVC to escalate valuation disputes that cannot be resolved by the FVC to a more senior committee called the Valuations Advisory Committee (“VAC”) for resolution. The VAC is chaired by the Chief Financial Officer and includes other members of senior management. The VAC is only required to convene to review escalated valuation disputes.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table displays our assets and liabilities measured on our consolidated balance sheets at fair value on a recurring basis as of June 30, 2016 and December 31, 2015:

Table 12.1: Assets and Liabilities Measured at Fair Value on a Recurring Basis

	June 30, 2016			
	Fair Value Measurements Using			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Securities available for sale:				
U.S. Treasury securities	**$ 5,189**	**$ 0**	**$ 0**	**$ 5,189**
RMBS	**0**	**27,460**	**555**	**28,015**
CMBS	**0**	**5,282**	**128**	**5,410**
Other ABS	**0**	**975**	**30**	**1,005**
Other securities	**296**	**26**	**19**	**341**
Total securities available for sale	**5,485**	**33,743**	**732**	**39,960**
Other assets:				
Derivative assets[1][2]	**3**	**2,883**	**85**	**2,971**
Other[3]	**199**	**0**	**256**	**455**
Total assets	**$ 5,687**	**$ 36,626**	**$ 1,073**	**$ 43,386**
Liabilities:				
Other liabilities:				
Derivative liabilities[1][2]	**$ 6**	**$ 832**	**$ 67**	**$ 905**
Total liabilities	**$ 6**	**$ 832**	**$ 67**	**$ 905**

	December 31, 2015			
	Fair Value Measurements Using			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Securities available for sale:				
U.S. Treasury securities	$ 4,660	$ 0	$ 0	$ 4,660
RMBS	0	26,807	504	27,311
CMBS	0	5,282	97	5,379
Other ABS	0	1,340	0	1,340
Other securities	355	2	14	371
Total securities available for sale	5,015	33,431	615	39,061
Other assets:				
Derivative assets[1][2]	2	1,459	57	1,518
Other[3]	183	0	279	462
Total assets	$ 5,200	$ 34,890	$ 951	$ 41,041
Liabilities:				
Other liabilities:				
Derivative liabilities[1][2]	$ 2	$ 491	$ 27	$ 520
Total liabilities	$ 2	$ 491	$ 27	$ 520

(1) The balances represent gross derivative amounts and are not reduced by the impact of legally enforceable master netting agreements that allow us to net positive and negative positions and the related payables and receivables for cash collateral held or placed with the same counterparty. The net derivative assets were $2.4 billion and $986 million, and the net derivative liabilities were $536 million and $377 million as of June 30, 2016 and December 31, 2015, respectively. See "Note 9—Derivative Instruments and Hedging Activities" for further information.

(2) Does not reflect $7 million and $4 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of June 30, 2016 and December 31, 2015, respectively. Non-performance risk is reflected in other assets and liabilities on the consolidated balance sheets and offset through non-interest income in the consolidated statements of income.

(3) Includes consumer MSRs of $53 million and $68 million, retained interests in securitizations of $203 million and $211 million and deferred compensation plan assets of $199 million and $183 million as of June 30, 2016 and December 31, 2015, respectively. Consumer MSRs and retained interests in securitizations are both classified within Level 3. Deferred compensation plan assets, which consist of investments in publicly traded mutual funds, are classified within Level 1.

The determination of the classification of financial instruments in the fair value hierarchy is performed at the end of each reporting period. We consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the unobservable inputs to the instruments' fair value measurement in its entirety. If unobservable inputs are considered significant, the instrument is classified as Level 3. The process for determining fair value using unobservable inputs is generally more subjective and involves a high degree of management judgment and assumptions. During the three and six months ended June 30, 2016, we had minimal movements between Levels 1 and 2.

Level 3 Recurring Fair Value Rollforward

The table below presents a reconciliation for all assets and liabilities measured and recognized at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six months ended June 30, 2016 and 2015. When assets and liabilities are transferred between levels, we recognize the transfer as of the end of the period.

Table 12.2: Level 3 Recurring Fair Value Rollforward

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Three Months Ended June 30, 2016

(Dollars in millions)	Balance, April 1, 2016	Total Gains (Losses) (Realized/Unrealized)		Purchases	Sales	Issuances	Settlements	Transfers Into Level 3[2]	Transfers Out of Level 3[2]	Balance, June 30, 2016	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2016[3]
		Included in Net Income[1]	Included in OCI								
Assets:											
Securities available for sale:											
RMBS	$ 505	$ 7	$ 11	$ 59	$ 0	$ 0	$ (31)	$ 80	$ (76)	$ 555	$ 8
CMBS	251	0	1	63	0	0	(6)	0	(181)	128	0
Other ABS	30	0	0	0	0	0	0	0	0	30	0
Other securities	11	0	0	8	0	0	0	0	0	19	0
Total securities available for sale	797	7	12	130	0	0	(37)	80	(257)	732	8
Other assets:											
Derivative assets[4]	71	9	0	0	0	30	(15)	0	(10)	85	9
Consumer MSRs	59	(8)	0	0	0	4	(2)	0	0	53	(8)
Retained interest in securitizations	201	2	0	0	0	0	0	0	0	203	2
Liabilities:											
Other liabilities:											
Derivative liabilities[4]	$ (40)	$ (15)	$ 0	$ 0	$ 0	$ (24)	$ 10	$ 0	$ 2	$ (67)	$ (15)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Three Months Ended June 30, 2015

(Dollars in millions)	Balance, April 1, 2015	Total Gains (Losses) (Realized/Unrealized)		Purchases	Sales	Issuances	Settlements	Transfers Into Level 3[2]	Transfers Out of Level 3[2]	Balance, June 30, 2015	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2015[3]
		Included in Net Income[1]	Included in OCI								
Assets:											
Securities available for sale:											
Corporate debt securities guaranteed by U.S. government agencies	$ 172	$ 1	$ 0	$ 0	$ (80)	$ 0	$ (2)	$ 0	$ 0	$ 91	$ 0
RMBS	555	11	(9)	0	0	0	(14)	107	(191)	459	11
CMBS	174	0	0	86	0	0	(16)	0	(74)	170	0
Other ABS	7	0	0	0	0	0	0	0	0	7	0
Other securities	18	0	0	0	0	0	0	0	0	18	0
Total securities available for sale	926	12	(9)	86	(80)	0	(32)	107	(265)	745	11
Other assets:											
Derivative assets[4]	73	(10)	0	0	0	18	(16)	0	(4)	61	(10)
Consumer MSRs	53	7	0	0	0	6	(1)	0	0	65	7
Retained interest in securitizations	276	4	0	0	0	6	(1)	0	0	285	4
Liabilities:											
Other liabilities:											
Derivative liabilities[4]	$ (48)	$ 9	$ 0	$ 0	$ 0	$ (3)	$ 12	$ 0	$ 3	$ (27)	$ 9

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Six Months Ended June 30, 2016

(Dollars in millions)	Balance, January 1, 2016	Total Gains (Losses) (Realized/Unrealized) Included in Net Income[1]	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3[2]	Transfers Out of Level 3[2]	Balance, June 30, 2016	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2016[3]
Assets:											
Securities available for sale:											
RMBS	**$ 504**	**$ 13**	**$ 6**	**$ 59**	**$ 0**	**$ 0**	**$ (48)**	**$ 207**	**$ (186)**	**$ 555**	**$ 14**
CMBS	**97**	**0**	**2**	**156**	**0**	**0**	**(10)**	**64**	**(181)**	**128**	**0**
Other ABS	**0**	**0**	**0**	**30**	**0**	**0**	**0**	**0**	**0**	**30**	**0**
Other securities	**14**	**0**	**0**	**8**	**0**	**0**	**(3)**	**0**	**0**	**19**	**0**
Total securities available for sale	**615**	**13**	**8**	**253**	**0**	**0**	**(61)**	**271**	**(367)**	**732**	**14**
Other assets:											
Derivative assets[4]	**57**	**28**	**0**	**0**	**0**	**42**	**(26)**	**0**	**(16)**	**85**	**28**
Consumer MSRs	**68**	**(20)**	**0**	**0**	**0**	**8**	**(3)**	**0**	**0**	**53**	**(20)**
Retained interest in securitizations	**211**	**(8)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**203**	**(8)**
Liabilities:											
Other liabilities:											
Derivative liabilities[4]	**$ (27)**	**$ (29)**	**$ 0**	**$ 0**	**$ 0**	**$ (31)**	**$ 13**	**$ 0**	**$ 7**	**$ (67)**	**$ (29)**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Six Months Ended June 30, 2015

(Dollars in millions)	Balance, January 1, 2015	Total Gains (Losses) (Realized/Unrealized) Included in Net Income[1]	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3[2]	Transfers Out of Level 3[2]	Balance, June 30, 2015	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2015[3]
Assets:											
Securities available for sale:											
Corporate debt securities guaranteed by U.S. government agencies	$ 333	$ (1)	$ 5	$ 0	$ (148)	$ 0	$ (10)	$ 0	$ (88)	$ 91	$ 0
RMBS	561	19	(1)	0	0	0	(27)	192	(285)	459	20
CMBS	228	0	1	86	0	0	(37)	0	(108)	170	0
Other ABS	65	1	(2)	0	(20)	0	0	0	(37)	7	0
Other securities	18	0	0	0	0	0	0	0	0	18	0
Total securities available for sale	1,205	19	3	86	(168)	0	(74)	192	(518)	745	20
Other assets:											
Derivative assets[4]	66	1	0	0	0	27	(28)	0	(5)	61	1
Consumer MSRs	53	4	0	0	0	10	(2)	0	0	65	4
Retained interest in securitizations	274	3	0	0	0	10	(2)	0	0	285	3
Liabilities:											
Other liabilities:											
Derivative liabilities[4]	$ (43)	$ (1)	$ 0	$ 0	$ 0	$ (10)	$ 24	$ 0	$ 3	$ (27)	$ (1)

(1) Gains (losses) related to Level 3 Consumer MSRs, derivative assets and derivative liabilities, and retained interests in securitizations are reported in other non-interest income, which is a component of non-interest income, in our consolidated statements of income.

(2) During the three and six months ended June 30, 2016 and 2015, the transfers into Level 3 were primarily driven by less consistency among vendor pricing on individual securities, while the transfers out of Level 3 were primarily driven by greater consistency among multiple pricing sources.

(3) The amount presented for unrealized gains (losses) for assets still held as of the reporting date primarily represents impairments of securities available for sale, accretion on certain fixed maturity securities, changes in fair value of derivative instruments and mortgage servicing rights transactions. Impairment is reported in total OTTI, which is a component of non-interest income, in our consolidated statements of income.

(4) All Level 3 derivative assets and liabilities are presented on a gross basis and are not reduced by the impact of legally enforceable master netting agreements that allow us to net positive and negative positions and the related payables and receivables for cash collateral held or placed with the same counterparty.

Significant Level 3 Fair Value Asset and Liability Input Sensitivity

Changes in unobservable inputs may have a significant impact on fair value. Certain of these unobservable inputs will, in isolation, have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. In general, an increase in the discount rate, default rates, loss severity and credit spreads, in isolation, would result in a decrease in the fair value measurement. In addition, an increase in default rates would generally be accompanied by a decrease in recovery rates, slower prepayment rates and an increase in liquidity spreads.

Techniques and Inputs for Level 3 Fair Value Measurements

The following table presents the significant unobservable inputs relied upon to determine the fair values of our Level 3 financial instruments on a recurring basis. We utilize multiple third-party pricing services to obtain fair value measures for our securities. Several of our third-party pricing services are only able to provide unobservable input information for a limited number of securities due to software licensing restrictions. Other third-party pricing services are able to provide unobservable input information for all securities for which they provide a valuation. As a result, the unobservable input information for the securities available for sale presented below represents a composite summary of all information we are able to obtain for a majority of our securities. The unobservable input information for all other Level 3 financial instruments is based on the assumptions used in our internal valuation models.

Table 12.3: Quantitative Information about Level 3 Fair Value Measurements

	Quantitative Information about Level 3 Fair Value Measurements				
(Dollars in millions)	Fair Value at June 30, 2016	Significant Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average
Assets:					
Securities available for sale:					
RMBS	$ 555	Discounted cash flows (3rd party pricing)	Yield Constant prepayment rate Default rate Loss severity	1-18% 0-28% 0-15% 12-92%	5% 5% 4% 54%
CMBS	128	Discounted cash flows (3rd party pricing)	Yield Constant prepayment rate	2-3% 0-15%	2% 10%
Other ABS	30	Discounted cash flows (3rd party pricing)	Yield Constant prepayment rate	1% 3%	1% 3%
Other securities	19	Discounted cash flows	Yield	1%	1%
Other assets:					
Derivative assets(1)	85	Discounted cash flows	Swap rates	1-2%	2%
Consumer MSRs	53	Discounted cash flows	Total prepayment rate Discount rate Option-adjusted spread rate Servicing cost ($ per loan)	10-21% 14% 580-1500 bps $75-$100	18% 14% 643 bps $76
Retained interests in securitization(2)	203	Discounted cash flows	Life of receivables (months) Constant prepayment rate Discount rate Default rate Loss severity	13-82 2-12% 3-11% 1-5% 4-108%	N/A
Liabilities:					
Derivative liabilities(1)	$ 67	Discounted cash flows	Swap rates	1-2%	1%

(Dollars in millions)	Quantitative Information about Level 3 Fair Value Measurements Fair Value at December 31, 2015	Significant Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average
Assets:					
Securities available for sale:					
RMBS	$ 504	Discounted cash flows (3rd party pricing)	Yield Constant prepayment rate Default rate Loss severity	0-12% 0-28% 0-8% 16-85%	6% 4% 4% 55%
CMBS	97	Discounted cash flows (3rd party pricing)	Yield Constant prepayment rate	2-3% 0-15%	3% 9%
Other securities	14	Discounted cash flows	Yield	1%	1%
Other assets:					
Derivative assets[1]	57	Discounted cash flows	Swap rates	2%	2%
Consumer MSRs	68	Discounted cash flows	Total prepayment rate Discount rate Option-adjusted spread rate Servicing cost ($ per loan)	11-18% 12% 435-1,500 bps $93-$201	16% 12% 474 bps $98
Retained interests in securitization[2]	211	Discounted cash flows	Life of receivables (months) Constant prepayment rate Discount rate Default rate Loss severity	16-75 1-13% 4-9% 2-6% 15-94%	N/A
Liabilities:					
Derivative liabilities[1]	$ 27	Discounted cash flows	Swap rates	2%	2%

(1) All Level 3 derivative assets and liabilities are presented on a gross basis and are not reduced by the impact of legally enforceable master netting agreements that allow us to net positive and negative positions and the related payables and receivables for cash collateral held or placed with the same counterparty.

(2) Due to the nature of the various mortgage securitization structures in which we have retained interests, it is not meaningful to present a consolidated weighted average for the significant unobservable inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We are required to measure and recognize certain other assets at fair value on a nonrecurring basis on the consolidated balance sheets. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, from the application of lower of cost or fair value accounting or when we evaluate for impairment). The following table presents the carrying amount of the assets measured at fair value on a nonrecurring basis and still held as of June 30, 2016 and December 31, 2015, and for which a nonrecurring fair value measurement was recorded during the six and twelve months then ended:

Table 12.4: Nonrecurring Fair Value Measurements Related to Assets Still Held at Period End

	June 30, 2016			
	Estimated Fair Value Hierarchy			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Loans held for investment	**$ 0**	**$ 0**	**$ 420**	**$ 420**
Loans held for sale	**0**	**5**	**0**	**5**
Other assets[1]	**0**	**0**	**49**	**49**
Total	**$ 0**	**$ 5**	**$ 469**	**$ 474**

	December 31, 2015			
	Estimated Fair Value Hierarchy			
(Dollars in millions)	Level 1	Level 2	Level 3	Total
Loans held for investment	$ 0	$ 0	$ 362	$ 362
Loans held for sale	0	149	0	149
Other assets[1]	0	0	92	92
Total	$ 0	$ 149	$ 454	$ 603

[1] Includes foreclosed property and repossessed assets of $48 million and long-lived assets held for sale of $1 million as of June 30, 2016, compared to foreclosed property and repossessed assets of $54 million and long-lived assets held for sale of $38 million as of December 31, 2015.

In the above table, loans held for investment primarily include nonperforming loans for which specific reserves or charge-offs have been recognized. These loans are classified as Level 3 as they are valued based in part on the estimated fair value of the underlying collateral and the non-recoverable rate, which is considered to be a significant unobservable input. Collateral fair value sources include the appraisal value obtained from independent appraisers, broker pricing opinions or other available market information. The non-recoverable rate ranged from 0% to 94%, with a weighted average of 24%, and from 9% to 73%, with a weighted average of 20%, as of June 30, 2016 and December 31, 2015, respectively. The fair value of the other assets classified as Level 3 is determined based on appraisal value or listing price which involves significant judgment; the significant unobservable inputs and related quantitative information are not meaningful to disclose as they vary significantly across properties and collateral.

The following table presents total nonrecurring fair value measurements for the period, included in earnings, attributable to the change in fair value relating to assets that are still held at June 30, 2016 and 2015:

Table 12.5: Nonrecurring Fair Value Measurements Included in Earnings Related to Assets Still Held at Period End

	Total Gains (Losses)	
	Six Months Ended June 30,	
(Dollars in millions)	2016	2015
Loans held for investment	**$ (105)**	$ (48)
Loans held for sale	**0**	(3)
Other assets[1]	**(6)**	(30)
Total	**$ (111)**	$ (81)

[1] Includes losses related to foreclosed property and repossessed assets.

Fair Value of Financial Instruments

The following table is a summary of the fair value estimates for our financial instruments, excluding those financial instruments that are recorded at fair value on a recurring basis as they are included within the “Assets and Liabilities Measured at Fair Value on a Recurring Basis” table included earlier in this Note.

Table 12.6: Fair Value of Financial Instruments

	June 30, 2016				
			Estimated Fair Value Hierarchy		
(Dollars in millions)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	**$ 7,149**	**$ 7,149**	**$ 7,149**	**$ 0**	**$ 0**
Restricted cash for securitization investors	**265**	**265**	**265**	**0**	**0**
Securities held to maturity	**25,120**	**26,799**	**201**	**26,548**	**50**
Net loans held for investment	**228,722**	**230,591**	**0**	**0**	**230,591**
Loans held for sale	**1,220**	**1,222**	**0**	**1,222**	**0**
Interest receivable	**1,236**	**1,236**	**0**	**1,236**	**0**
Other investments[1]	**2,128**	**2,128**	**0**	**2,128**	**0**
Financial liabilities:					
Non-interest-bearing deposits	**$ 25,424**	**$ 25,424**	**$ 25,424**	**$ 0**	**$ 0**
Interest-bearing deposits	**195,635**	**195,832**	**0**	**16,190**	**179,642**
Securitized debt obligations	**16,130**	**16,211**	**0**	**16,211**	**0**
Senior and subordinated notes	**21,872**	**21,956**	**0**	**21,956**	**0**
Federal funds purchased and securities loaned or sold under agreements to repurchase	**999**	**999**	**999**	**0**	**0**
Other borrowings	**20,180**	**20,149**	**0**	**20,149**	**0**
Interest payable	**301**	**301**	**0**	**301**	**0**

	December 31, 2015				
			Estimated Fair Value Hierarchy		
(Dollars in millions)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 8,023	$ 8,023	$ 8,023	$ 0	$ 0
Restricted cash for securitization investors	1,017	1,017	1,017	0	0
Securities held to maturity	24,619	25,317	198	25,068	51
Net loans held for investment	224,721	222,007	0	0	222,007
Loans held for sale	904	933	0	860	73
Interest receivable	1,189	1,189	0	1,189	0
Other investments[1]	2,060	2,060	0	2,060	0
Financial liabilities:					
Non-interest-bearing deposits	$ 25,847	$ 25,847	$ 25,847	$ 0	$ 0
Interest-bearing deposits	191,874	185,075	0	15,848	169,227
Securitized debt obligations	16,166	16,225	0	16,225	0
Senior and subordinated notes	21,837	22,062	0	22,062	0
Federal funds purchased and securities loaned or sold under agreements to repurchase	981	981	981	0	0
Other borrowings	20,131	20,134	0	20,134	0
Interest payable	299	299	0	299	0

(1) Includes FHLB and Federal Reserve stock and cost method investments. These investments are included in other assets on our consolidated balance sheets.

NOTE 13—BUSINESS SEGMENTS

Our principal operations are currently organized into three major business segments, which are defined based on the products and services provided or the type of customer served: Credit Card, Consumer Banking and Commercial Banking. The operations of acquired businesses have been integrated into our existing business segments. Certain activities that are not part of a segment, such as management of our corporate investment portfolio and asset/liability management by our centralized Corporate Treasury group, are included in the Other category.

Basis of Presentation

We report the results of each of our business segments on a continuing operations basis. See “Note 2—Discontinued Operations” for a discussion of our discontinued operations. The results of our individual businesses reflect the manner in which management evaluates performance and makes decisions about funding our operations and allocating resources.

Business Segment Reporting Methodology

The results of our business segments are intended to present each segment as if it were a stand-alone business. Our internal management and reporting process used to derive our segment results employs various allocation methodologies, including funds transfer pricing, to assign certain balance sheet assets, deposits and other liabilities and their related revenue and expenses directly or indirectly attributable to each business segment. Our funds transfer pricing process provides a funds credit for sources of funds, such as deposits generated by our Consumer Banking and Commercial Banking businesses, and a funds charge for the use of funds by each segment. Due to the integrated nature of our business segments, estimates and judgments have been made in allocating certain revenue and expense items. Transactions between segments are based on specific criteria or approximate third-party rates. We regularly assess the assumptions, methodologies and reporting classifications used for segment reporting, which may result in the implementation of refinements or changes in future periods. We provide additional information on the allocation methodologies used to derive our business segment results in “Note 20—Business Segments” in our 2015 Form 10-K.

Segment Results and Reconciliation

We may periodically change our business segments or reclassify business segment results based on modifications to our management reporting methodologies and changes in organizational alignment. The following tables present our business segment results for the three and six months ended June 30, 2016 and 2015, selected balance sheet data as of June 30, 2016 and 2015, and a reconciliation of our total business segment results to our reported consolidated income from continuing operations, loans held for investment and deposits.

Table 13.1: Segment Results and Reconciliation

	Three Months Ended June 30, 2016				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Net interest income (expense)	**$ 3,045**	**$ 1,439**	**$ 559**	**$ 50**	**$ 5,093**
Non-interest income	**859**	**175**	**129**	**(2)**	**1,161**
Total net revenue (loss)	**3,904**	**1,614**	**688**	**48**	**6,254**
Provision (benefit) for credit losses	**1,261**	**204**	**128**	**(1)**	**1,592**
Non-interest expense	**1,883**	**1,006**	**343**	**63**	**3,295**
Income (loss) from continuing operations before income taxes	**760**	**404**	**217**	**(14)**	**1,367**
Income tax provision (benefit)	**276**	**147**	**79**	**(78)**	**424**
Income (loss) from continuing operations, net of tax	**$ 484**	**$ 257**	**$ 138**	**$ 64**	**$ 943**
Loans held for investment	**$ 96,904**	**$ 71,415**	**$ 66,202**	**$ 82**	**$ 234,603**
Deposits	**0**	**176,340**	**34,281**	**10,438**	**221,059**

	Three Months Ended June 30, 2015				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Net interest income (expense)	$ 2,633	$ 1,444	$ 466	$ (6)	$ 4,537
Non-interest income	845	196	123	(29)	1,135
Total net revenue (loss)	3,478	1,640	589	(35)	5,672
Provision (benefit) for credit losses	895	185	49	0	1,129
Non-interest expense	1,857	998	270	182	3,307
Income (loss) from continuing operations before income taxes	726	457	270	(217)	1,236
Income tax provision (benefit)	263	166	98	(143)	384
Income (loss) from continuing operations, net of tax	$ 463	$ 291	$ 172	$ (74)	$ 852
Loans held for investment	$ 87,203	$ 71,176	$ 51,231	$ 95	$ 209,705
Deposits	0	170,321	32,909	5,550	208,780

(Dollars in millions)	Six Months Ended June 30, 2016 Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Net interest income (expense)	**$ 6,078**	**$ 2,859**	**$ 1,096**	**$ 116**	**$ 10,149**
Non-interest income	**1,706**	**366**	**247**	**6**	**2,325**
Total net revenue (loss)	**7,784**	**3,225**	**1,343**	**122**	**12,474**
Provision (benefit) for credit losses	**2,332**	**434**	**356**	**(3)**	**3,119**
Non-interest expense	**3,746**	**1,996**	**665**	**111**	**6,518**
Income (loss) from continuing operations before income taxes	**1,706**	**795**	**322**	**14**	**2,837**
Income tax provision (benefit)	**613**	**289**	**117**	**(143)**	**876**
Income (loss) from continuing operations, net of tax	**$ 1,093**	**$ 506**	**$ 205**	**$ 157**	**$ 1,961**
Loans held for investment	**$ 96,904**	**$ 71,415**	**$ 66,202**	**$ 82**	**$ 234,603**
Deposits	**0**	**176,340**	**34,281**	**10,438**	**221,059**

(Dollars in millions)	Six Months Ended June 30, 2015 Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Net interest income (expense)	$ 5,299	$ 2,878	$ 927	$ 9	$ 9,113
Non-interest income	1,661	354	237	(46)	2,206
Total net revenue (loss)	6,960	3,232	1,164	(37)	11,319
Provision (benefit) for credit losses	1,564	391	109	0	2,064
Non-interest expense	3,633	1,968	542	213	6,356
Income (loss) from continuing operations before income taxes	1,763	873	513	(250)	2,899
Income tax provision (benefit)	632	316	186	(221)	913
Income (loss) from continuing operations, net of tax	$ 1,131	$ 557	$ 327	$ (29)	$ 1,986
Loans held for investment	$ 87,203	$ 71,176	$ 51,231	$ 95	$ 209,705
Deposits	0	170,321	32,909	5,550	208,780

[1] Some of our tax-related commercial investments generate tax-exempt income or tax credits. Accordingly, we make certain reclassifications within our Commercial Banking business results to present revenues and yields on a taxable-equivalent basis, calculated assuming an effective tax rate approximately equal to our federal statutory tax rate of 35% with offsetting reclassifications to the Other category.

NOTE 14—COMMITMENTS, CONTINGENCIES, GUARANTEES AND OTHERS

Letters of Credit, Loss Sharing Agreements and Other Obligations

We issue letters of credit (financial standby, performance standby and commercial) to meet the financing needs of our customers. Standby letters of credit are conditional commitments issued by us to guarantee the performance of a customer to a third party in a borrowing arrangement. Commercial letters of credit are short-term commitments issued primarily to facilitate trade finance activities for customers and are generally collateralized by the goods being shipped to the client. These collateral requirements are similar to those for funded transactions and are established based on management's credit assessment of the customer. Management conducts regular reviews of all outstanding letters of credit and the results of these reviews are considered in assessing the adequacy of our allowance for loan and lease losses.

We had standby letters of credit and commercial letters of credit with contractual amounts of $2.0 billion and $1.9 billion as of June 30, 2016 and December 31, 2015, respectively. The carrying value of outstanding letters of credit, which we include in other liabilities on our consolidated balance sheets was $4 million and $3 million as of June 30, 2016 and December 31, 2015, respectively. These financial guarantees had expiration dates ranging from 2016 to 2025 as of June 30, 2016.

Within our Commercial Banking business, we originate multifamily commercial real estate loans with the intent to sell them to a government-sponsored enterprise ("GSE"). We enter into loss sharing agreements with the GSE upon the sale of the loans. At inception, we record a liability representing the fair value of our obligation which is subsequently amortized as we are released from risk of payment under the loss sharing agreement. If payment under the loss sharing agreement becomes probable and estimable, an additional liability may be recorded on the consolidated balance sheets and a non-interest expense may be recognized in the consolidated statements of income. The amount of liability recognized on our consolidated balance sheets for our loss sharing agreements was $43 million and $40 million as of June 30, 2016 and December 31, 2015, respectively.

In certain securitizations in connection with the discontinued manufactured housing operations of GreenPoint Credit, LLC, the third party servicer has an obligation to exercise mandatory clean-up calls. In the event the third party servicer does not fulfill its obligation to exercise these clean-up calls, the obligation reverts to us. The amount of loan receivables and other assets subject to these clean-up calls is approximately $420 million. Based on our current projections, we expect these securitizations to reach their individual clean-up call thresholds beginning in 2017 and continuing through 2019. According to current information and estimates, we also expect the fair value of the loan receivables and other assets to be less than the contractual amount required to exercise the clean-up calls. We monitor the underlying assets for trends in delinquencies and related losses and review the third party servicer's financial strength. As of June 30, 2016, our best estimate is that any reasonably possible future losses associated with these clean-up call obligations are not significant to the Company's financial position.

U.K. Cross Sell

In the U.K., we previously sold payment protection insurance ("PPI") and other ancillary cross sell products. In response to an elevated level of customer complaints across the industry, heightened media coverage and pressure from consumer advocacy groups, the U.K. Financial Conduct Authority ("FCA"), formerly the Financial Services Authority, investigated and raised concerns about the way the industry has handled complaints related to the sale of these insurance policies. For the past several years, the U.K.'s Financial Ombudsman Service ("FOS") has been adjudicating customer complaints relating to PPI, escalated to it by consumers who disagree with the rejection of their complaint by firms, leading to customer remediation payments by us and others within the industry. On October 2, 2015, the FCA issued a Statement on PPI ("FCA Proposal") announcing it has decided to consult on the introduction of a time bar for PPI complaints and on new rules and guidance about how banks should handle unfair relationship PPI complaints covered by s.140A of the Consumer Credit Act of 1974 ("Consumer Credit Act"). The industry consultation period ended in February 2016, and we await the final rules to be issued by the FCA.

In determining our best estimate of incurred losses for future remediation payments, management considers numerous factors, including (i) the number of customer complaints we expect in the future; (ii) our expectation of upholding those complaints; (iii) the expected number of complaints customers escalate to the FOS; (iv) our expectation of the FOS upholding such escalated complaints; (v) the number of complaints that fall under the s.140A of the Consumer Credit Act; and (vi) the estimated remediation payout to customers. We monitor these factors each quarter and adjust our reserves to reflect the latest data.

Management's best estimate of incurred losses related to U.K. cross sell products, including PPI, totaled $176 million as of both June 30, 2016 and December 31, 2015. In the second quarter of 2016, we added $54 million to our reserve primarily because of an increase in our claims rate assumption. Other movements to the reserve were a combination of utilization of the reserve through customer refund payments and foreign exchange movements. Our best estimate of reasonably possible future losses beyond our reserve as of June 30, 2016 is approximately $250 million.

Mortgage Representation and Warranty Liabilities

We acquired three subsidiaries that originated residential mortgage loans and sold these loans to various purchasers, including purchasers who created securitization trusts. These subsidiaries are Capital One Home Loans, LLC, which was acquired in February 2005; GreenPoint, which was acquired in December 2006 as part of the North Fork acquisition; and CCB, which was acquired in February 2009 and subsequently merged into CONA (collectively, the "subsidiaries").

In connection with their sales of mortgage loans, the subsidiaries entered into agreements containing varying representations and warranties about, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with any applicable loan criteria established by the purchaser, including underwriting guidelines and the existence of mortgage insurance, and the loan's compliance with applicable federal, state and local laws. The representations and warranties do not address the credit performance of the mortgage loans, but mortgage loan performance often influences whether a claim for breach of representation and warranty will be asserted and has an effect on the amount of any loss in the event of a breach of a representation or warranty.

Each of these subsidiaries may be required to repurchase mortgage loans in the event of certain breaches of these representations and warranties. In the event of a repurchase, the subsidiary is typically required to pay the unpaid principal balance of the loan together with interest and certain expenses (including, in certain cases, legal costs incurred by the purchaser and/or others). The subsidiary then recovers the loan or, if the loan has been foreclosed, the underlying collateral. The subsidiary is exposed to any losses on the repurchased loans, taking into account any recoveries on the collateral. In some instances, rather than repurchase the loans, a subsidiary may agree to make cash payments to make a purchaser whole on losses or to settle repurchase claims, possibly including claims for attorneys' fees and interest. In addition, our subsidiaries may be required to indemnify certain purchasers and others against losses they incur as a result of certain breaches of representations and warranties.

These subsidiaries, in total, originated and sold to non-affiliates approximately $111 billion original principal balance of mortgage loans between 2005 and 2008, which are the years (or "vintages") with respect to which our subsidiaries have received the vast majority of the repurchase-related requests and other related claims.

The following table presents the original principal balance of mortgage loan originations, by vintage for 2005 through 2008, for the three general categories of purchasers of mortgage loans and the estimated unpaid principal balance as of June 30, 2016 and December 31, 2015:

Table 14.1: Unpaid Principal Balance of Mortgage Loans Originated and Sold to Third Parties Based on Category of Purchaser

	Estimated Unpaid Principal Balance		Original Principal Balance				
(Dollars in billions)	**June 30, 2016**	**December 31, 2015**	**Total**	**2008**	**2007**	**2006**	**2005**
GSEs	**$ 2**	$ 2	$ 11	$ 1	$ 4	$ 3	$ 3
Insured Securitizations	**3**	4	20	0	2	8	10
Uninsured Securitizations and Other	**13**	14	80	3	15	30	32
Total	**$ 18**	$ 20	$ 111	$ 4	$ 21	$ 41	$ 45

Of the $20 billion in original principal balance of mortgage loans sold directly by our subsidiaries to private-label purchasers who placed the loans into securitizations supported by bond insurance ("Insured Securitizations"), approximately 48% of the original principal balance was covered by bond insurance. Further, approximately $16 billion original principal balance was placed in securitizations as to which the monoline bond insurers have made repurchase-related requests or loan file requests to one of our subsidiaries ("Active Insured Securitizations") and the remaining approximately $4 billion original principal balance was placed in securitizations as to which the monoline bond insurers have not made repurchase-related requests or loan file requests to one of our subsidiaries ("Inactive Insured Securitizations"). Insured Securitizations often allow the monoline bond insurer to act independently of the investors. Bond insurers typically have indemnity agreements directly with both the mortgage originators and the securitizers, and they often have super-majority rights within the trust documentation that allow them to direct trustees to pursue mortgage repurchase-related requests without coordination with other investors.

Because we do not service most of the loans our subsidiaries sold to others, we do not have complete information about the current ownership of a portion of the $80 billion in original principal balance of mortgage loans not sold directly to GSEs or placed in Insured Securitizations. We have determined based on information obtained from third-party databases that about $48 billion original principal balance of these mortgage loans was placed in private-label publicly issued securitizations not supported by bond insurance (“Uninsured Securitizations”). An additional approximately $22 billion original principal balance of mortgage loans were initially sold to private investors as whole loans. Various known and unknown investors purchased the remaining $10 billion original principal balance of mortgage loans.

With respect to the $111 billion in original principal balance of mortgage loans originated and sold to others between 2005 and 2008, we estimate that approximately $18 billion in unpaid principal balance remains outstanding as of June 30, 2016, of which approximately $3 billion in unpaid principal balance is at least 90 days delinquent. Approximately $22 billion in losses have been realized by third parties. Because we do not service most of the loans we sold to others, we do not have complete information about the underlying credit performance levels for some of these mortgage loans. These amounts reflect our best estimates, including extrapolations of underlying credit performance where necessary. These estimates could change as we get additional data or refine our analysis.

The subsidiaries had open repurchase-related requests with regard to approximately $1.4 billion original principal balance of mortgage loans as of June 30, 2016, flat from December 31, 2015. Currently, repurchase-related demands predominantly relate to the 2006 and 2007 vintages. We have received relatively few repurchase-related demands for vintages after 2007, mostly because GreenPoint ceased originating mortgages in August 2007.

The following table presents information on pending repurchase-related requests by counterparty category and timing of initial request. The amounts presented are based on original loan principal balances.

Table 14.2: Open Pipeline All Vintages (All Entities)[(1)]

(Dollars in millions)	GSEs	Insured Securitizations	Uninsured Securitizations and Other	Total
Open claims as of December 31, 2014	$ 16	$ 649	$ 1,847	$ 2,512
Gross new demands received	23	0	23	46
Loans repurchased/made whole	(17)	0	(1)	(18)
Demands rescinded	(21)	(115)	(1,054)	(1,190)
Open claims as of December 31, 2015	1	534	815	1,350
Gross new demands received	**9**	**0**	**12**	**21**
Loans repurchased/made whole	**(3)**	**0**	**0**	**(3)**
Demands rescinded	**(1)**	**0**	**(1)**	**(2)**
Open claims as of June 30, 2016	**$ 6**	**$ 534**	**$ 826**	**$ 1,366**

(1) The open pipeline includes all timely repurchase-related requests ever received by our subsidiaries where the requesting party has not formally rescinded the repurchase-related request or our subsidiary has not agreed to either repurchase the loan at issue or make the requesting party whole with respect to its losses. The demands rescinded in 2015 reflect the ruling from New York’s highest court in June 2015 that the statute of limitations for repurchase claims begins when the relevant representations and warranties were made, as opposed to some later date during the life of the loan. Finally, the amounts reflected in this chart are the original principal balance amounts of the mortgage loans at issue and do not correspond to the losses our subsidiary would incur upon the repurchase of these loans.

The following table summarizes changes in our representation and warranty reserve for the three and six months ended June 30, 2016 and 2015:

Table 14.3: Changes in Representation and Warranty Reserve[1]

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2016**	**2015**	**2016**	**2015**
Representation and warranty reserve, beginning of period	**$ 613**	$ 673	**$ 610**	$ 731
Provision (benefit) for mortgage representation and warranty losses:				
Recorded in continuing operations	**(1)**	(9)	**(2)**	(8)
Recorded in discontinued operations	**2**	(27)	**5**	(46)
Total provision (benefit) for mortgage representation and warranty losses	**1**	(36)	**3**	(54)
Net realized recoveries (losses)	**0**	(1)	**1**	(41)
Representation and warranty reserve, end of period	**$ 614**	$ 636	**$ 614**	$ 636

(1) Reported on our consolidated balance sheets as a component of other liabilities.

The following table summarizes the allocation of our representation and warranty reserve as of June 30, 2016 and December 31, 2015:

Table 14.4: Allocation of Representation and Warranty Reserve

	Reserve Liability		
(Dollars in millions, except for loans sold)	**June 30, 2016**	**December 31, 2015**	**Loans Sold 2005 to 2008**[1]
Selected period-end data:			
Active Insured Securitizations and GSEs	**$ 483**	$ 480	$ 27
Inactive Insured Securitizations and Others	**131**	130	84
Total[2]	**$ 614**	$ 610	$ 111

(1) Reflects, in billions, the total original principal balance of loans originated by our subsidiaries and sold to third-party investors between 2005 and 2008.

(2) The total reserve liability includes an immaterial amount related to loans that were originated after 2008.

We established reserves for the $11 billion original principal balance of GSE loans, based on open claims and historic repurchase rates. We have entered into and completed repurchase or settlement agreements with respect to the majority of our repurchase exposure within this category.

Our reserves could also be impacted by any claims which may be brought by governmental agencies under the Financial Institutions Reform, Recovery and Enforcement Act ("FIRREA"), the False Claims Act or other federal or state statutes. For example, GreenPoint and Capital One have received requests for information and/or subpoenas from various governmental regulators and law enforcement authorities, including members of the RMBS Working Group, relating to the origination of loans for sale to the GSEs and to RMBS participants. We are cooperating with these regulators and other authorities in responding to such requests.

For the $16 billion original principal balance in Active Insured Securitizations, our reserving approach is based upon the expected resolution of litigation with the monoline bond insurers. Accordingly, our representation and warranty reserves for this category are litigation reserves. In establishing litigation reserves for this category, we consider the current and future monoline insurer losses inherent within the securitization and apply legal judgment to the developing factual and legal record to estimate the liability for each securitization. We consider as factors within the analysis our own past monoline settlements in addition to publicly available industry monoline settlements. Our reserves with respect to the U.S. Bank Litigation, referenced below, are contained within the Active Insured Securitization reserve category. Further, to the extent we have litigation reserves with respect to indemnification risks from certain representation and warranty lawsuits brought by monoline bond insurers against third-party securitizations sponsors, where one of our subsidiaries provided some or all of the mortgage collateral within the securitization but is not a defendant in the litigation, such reserves are also contained within this category.

For the $4 billion original principal balance of mortgage loans in the Inactive Insured Securitizations category and the $48 billion original principal balance of mortgage loans in the Uninsured Securitizations category, we establish reserves based on an assessment of probable and estimable legal liability, if any, utilizing both our own experience and publicly available industry settlement information to estimate lifetime liability. In contrast with the bond insurers in the Insured Securitizations, investors in Uninsured Securitizations often face a number of legal and logistical hurdles before they can force a securitization trustee to pursue mortgage repurchases, including the need to coordinate with a certain percentage of investors holding the securities and to indemnify the trustee for any litigation it undertakes. Accordingly, we only reserve for such exposures when a trustee or investor with standing brings claims and it is probable we have incurred a loss. Some Uninsured Securitization investors from this category are currently suing investment banks and securitization sponsors under federal and/or state securities laws. Although we face some indirect indemnity risks from these litigations, we generally have not established reserves with respect to these indemnity risks because we do not consider them to be both probable and reasonably estimable liabilities. In addition, to the extent we have litigation reserves with respect to indemnification risks from certain representation and warranty lawsuits brought by parties who purchased loans from our subsidiaries and subsequently re-sold the loans into securitizations, such reserves are also contained within this category.

For the $22 billion original principal balance of mortgage loans sold to private investors as whole loans, we establish reserves based on open claims and historical repurchase rates.

The aggregate reserve for all three subsidiaries totaled $614 million as of June 30, 2016, compared to $610 million as of December 31, 2015. We recorded a net provision for mortgage representation and warranty losses of $3 million (which includes a benefit of $2 million before taxes in continuing operations and a provision of $5 million before taxes in discontinued operations) in the first six months of 2016.

As part of our business planning processes, we have considered various outcomes relating to the future representation and warranty liabilities of our subsidiaries that are possible but do not rise to the level of being both probable and reasonably estimable outcomes justifying an incremental accrual under applicable accounting standards. Our current best estimate of reasonably possible future losses from representation and warranty claims beyond our reserves as of June 30, 2016 is approximately $1.5 billion, a decrease from our $1.6 billion estimate at December 31, 2015. The decrease in this estimate was primarily driven by favorable rulings in representation and warranty-related litigation. The estimate as of June 30, 2016 covers all reasonably possible losses relating to representation and warranty claim activity, including those relating to the cases more specifically described below in Mortgage Repurchase Litigation.

In estimating reasonably possible future losses in excess of our current reserves, we assume a portion of the inactive securitizations become active and for all Insured Securitizations, we assume loss rates on the high end of those observed in monoline settlements or court rulings. For our remaining GSE exposures, Uninsured Securitizations and whole loan exposures, our reasonably possible risk estimates assume lifetime loss rates and claims rates at the highest levels of our past experience and also consider the limited instances of observed settlements. We do not assume claim rates or loss rates for these risk categories will be as high as those assumed for the Active Insured Securitizations, however, based on industry precedent. Should the number of claims or the loss rates on these claims increase significantly, our estimate of reasonably possible risk would increase materially. We also assume that repurchase-related requests will be resolved at discounts reflecting the nature of the claims, the vintage of the underlying loans and evolving legal precedents.

Notwithstanding our ongoing attempts to estimate a reasonably possible amount of future losses beyond our current accrual levels based on current information, it is possible that actual future losses will exceed both the current accrual level and our current estimate of the amount of reasonably possible losses. Our reserve and reasonably possible estimates involve considerable judgment and reflect that there is still significant uncertainty regarding numerous factors that may impact the ultimate loss levels, including, but not limited to: litigation outcomes; court rulings; governmental enforcement decisions; future repurchase and indemnification claim levels; securitization trustees pursuing mortgage repurchase litigation unilaterally or in coordination with investors; investors successfully pursuing repurchase litigation independently and without the involvement of the trustee as a party; ultimate repurchase and indemnification rates; future mortgage loan performance levels; actual recoveries on the collateral; and macroeconomic conditions (including unemployment levels and housing prices). In light of the significant uncertainty as to the ultimate liability our subsidiaries may incur from these matters, an adverse outcome in one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

Litigation

In accordance with the current accounting standards for loss contingencies, we establish reserves for litigation related matters that arise from the ordinary course of our business activities when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss can be reasonably estimated. None of the amounts we currently have recorded individually or in the aggregate are considered to be material to our financial condition. Litigation claims and proceedings of all types are subject to many uncertain factors that generally cannot be predicted with assurance. Below we provide a description of potentially material legal proceedings and claims.

For some of the matters disclosed below, we are able to determine estimates of potential future outcomes that are not probable and reasonably estimable outcomes justifying either the establishment of a reserve or an incremental reserve build, but which are reasonably possible outcomes. For other disclosed matters, such an estimate is not possible at this time. For those matters below where an estimate is possible (excluding the reasonably possible future losses relating to the U.S. Bank Litigation and the Federal Housing Finance Agency ("FHFA") Litigation because reasonably possible losses with respect to those litigations are included within the reasonably possible representation and warranty liabilities discussed above) management currently estimates the reasonably possible future losses beyond our reserves as of June 30, 2016 is approximately $200 million. Notwithstanding our attempt to estimate a reasonably possible range of loss beyond our current accrual levels for some litigation matters based on current information, it is possible that actual future losses will exceed both the current accrual level and the range of reasonably possible losses disclosed here. Given the inherent uncertainties involved in these matters, especially those involving governmental agencies, and the very large or indeterminate damages sought in some of these matters, there is significant uncertainty as to the ultimate liability we may incur from these litigation matters and an adverse outcome in one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

Interchange Litigation

In 2005, a number of entities, each purporting to represent a class of retail merchants, filed antitrust lawsuits ("Interchange Lawsuits") against MasterCard and Visa and several member banks, including our subsidiaries and us, alleging among other things, that the defendants conspired to fix the level of interchange fees. The complaints seek injunctive relief and civil monetary damages, which could be trebled. Separately, a number of large merchants have asserted similar claims against Visa and MasterCard only. In October 2005, the class and merchant Interchange Lawsuits were consolidated before the U.S. District Court for the Eastern District of New York for certain purposes, including discovery. In July 2012, the parties executed and filed with the court a Memorandum of Understanding agreeing to resolve the litigation on certain terms set forth in a settlement agreement attached to the Memorandum. The class settlement provides for, among other things, (i) payments by defendants to the class and individual plaintiffs totaling approximately $6.6 billion; (ii) a distribution to the class merchants of an amount equal to 10 basis points of certain interchange transactions for a period of eight months; and (iii) modifications to certain Visa and MasterCard rules regarding point of sale practices. In December 2013, the district court granted final approval of the proposed class settlement, which was appealed to the Second Circuit Court of Appeals in January 2014 and argued before the court on September 28, 2015. On June 30, 2016, the Second Circuit Court of Appeals vacated the district court's certification of the class, reversed approval of the proposed class settlement, and remanded the litigation to the district court for further proceedings, ruling that some of the merchants that were part of the proposed class settlement were not adequately represented. Because the Second Circuit ruling remands the litigation to the district court for further proceedings, the ultimate outcome in this matter is uncertain. Several merchant plaintiffs also opted out of the class settlement before it was overturned, some of which have sued MasterCard, Visa and various member banks, including Capital One. The opt-out cases are consolidated before the U.S. District Court for the Eastern District of New York for certain purposes, including discovery. Visa and MasterCard have settled a number of individual opt-out cases, requiring non-material payments from all banks, including Capital One. Separate settlement and judgment sharing agreements between Capital One, MasterCard and Visa allocate the liabilities of any judgment or settlement arising from the Interchange Lawsuits and associated opt-out cases. Visa created a litigation escrow account following its IPO of stock in 2008, which funds any settlements for its member banks, and any settlements related to MasterCard allocated losses are reflected in Capital One's reserves.

Mortgage Repurchase Litigation

In February 2009, GreenPoint was named as a defendant in a lawsuit commenced in the New York County Supreme Court, by U.S. Bank, N. A., Syncora Guarantee Inc. and CIFG Assurance North America, Inc. (“U.S. Bank Litigation”). Plaintiffs allege, among other things, that GreenPoint breached certain representations and warranties in two contracts pursuant to which GreenPoint sold approximately 30,000 mortgage loans having an aggregate original principal balance of approximately $1.8 billion to a purchaser that ultimately transferred most of these mortgage loans to a securitization trust. Some of the securities issued by the trust were insured by Syncora and CIFG. Plaintiffs seek unspecified damages and an order compelling GreenPoint to repurchase the entire portfolio of 30,000 mortgage loans based on alleged breaches of representations and warranties relating to a limited sampling of loans in the portfolio, or, alternatively, the repurchase of specific mortgage loans to which the alleged breaches of representations and warranties relate. In March 2010, the court granted GreenPoint’s motion to dismiss with respect to plaintiffs Syncora and CIFG but denied the motion with respect to U.S. Bank. GreenPoint subsequently answered the complaint with respect to U.S. Bank, denying the allegations, and filed a counterclaim against U.S. Bank alleging breach of covenant of good faith and fair dealing. In February 2012, the court denied plaintiffs’ motion for leave to file an amended complaint and dismissed Syncora and CIFG from the case. Syncora and CIFG appealed their dismissal to the New York Supreme Court, Appellate Division, First Department (“First Department”), which affirmed the dismissal in April 2013. The New York Court of Appeals denied Syncora’s and CIFG’s motion for leave to appeal the First Department’s decision in February 2014. Therefore, the case is now proceeding with U.S. Bank as the sole plaintiff. On May 20, 2015, Lehman Brothers Holding, Inc. (“LBHI”) filed an adversary proceeding in the United States Bankruptcy Court for the Southern District of New York against U.S. Bank, Syncora and GreenPoint regarding bankruptcy proofs of claims filed by U.S. Bank and Syncora on the same securitization at issue in the U.S. Bank Litigation.

In May, June and July 2012, FHFA (acting as conservator for Freddie Mac) filed three summonses with notice in the New York state court against GreenPoint, on behalf of the trustees for three RMBS trusts backed by loans originated by GreenPoint with an aggregate original principal balance of $3.4 billion. In January 2013, the plaintiffs filed an amended consolidated complaint in the name of the three trusts, acting by the respective trustees, alleging breaches of contractual representations and warranties regarding compliance with GreenPoint underwriting guidelines relating to certain loans (“FHFA Litigation”). Plaintiffs seek specific performance of the repurchase obligations with respect to the loans for which they have provided notice of alleged breaches as well as all other allegedly breaching loans, rescissory damages, indemnification, costs and interest.

As noted above in the section entitled Mortgage Representation and Warranty Liabilities, the Company’s subsidiaries establish reserves with respect to representation and warranty litigation matters, where appropriate, within the Company’s overall representation and warranty reserves. Please see above for more details.

Anti-Money Laundering

Capital One has received subpoenas and requests for testimony from the New York District Attorney’s Office (“NYDA”) with respect to certain former check casher clients of the Commercial Banking business and Capital One’s anti-money laundering (“AML”) program. In early 2015, we received similar requests from the U.S. Department of Justice (“DOJ”) and the Financial Crimes Enforcement Network (“FinCEN”) of the U.S. Department of Treasury. Capital One is cooperating with all agencies involved in the investigation**.**

Intellectual Ventures Corp., et al.

In June 2013, Intellectual Ventures I, LLC and Intellectual Ventures II, LLC (collectively "IV") sued Capital One Financial Corp., Capital One Bank (USA), N.A. and Capital One, N.A. (collectively "Capital One") for patent infringement in the U.S. District Court for the Eastern District of Virginia. In the Complaint, IV alleged infringement of patents related to various business processes across the Capital One enterprise. IV simultaneously filed patent infringement actions against numerous other financial institutions on the same and other patents in several other federal courts. Capital One filed an answer and counterclaim alleging antitrust violations. In December 2013, the court dismissed Capital One's counterclaim and decided the parties' arguments on claim construction. IV agreed to dismiss two patents in suit, and following claim construction, asked for a stipulation of non-infringement for one patent with an opportunity to appeal the court's decision regarding claim construction. In April 2014, the court granted Capital One's motion for summary judgment and found that the two remaining patents were either unpatentable or indefinite. In May 2014, IV appealed to the Federal Circuit, which affirmed the district court's dismissal of all three remaining patents in July 2015.

In January 2014, IV filed a second suit against Capital One for patent infringement in the U.S. District Court for the District of Maryland. In the complaint, IV again alleges infringement of patents related to various business practices across the Capital One enterprise. In March 2015, the court granted Capital One's motion for leave to add a counterclaim for antitrust violations. IV voluntarily dismissed one of the patents against Capital One and in September 2015, the court granted summary judgment in favor of Capital One on the remaining four patents and dismissed IV's claims. IV has appealed the dismissal of three of its claims to the Federal Circuit.

Other Pending and Threatened Litigation

In addition, we are commonly subject to various pending and threatened legal actions relating to the conduct of our normal business activities. In the opinion of management, the ultimate aggregate liability, if any, arising out of all such other pending or threatened legal actions will not be material to our consolidated financial position or our results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of the quantitative and qualitative disclosures about market risk, see “MD&A—Risk Management—Market Risk Management” and “MD&A—Market Risk Profile.”

Item 4. Controls and Procedures

Overview

We are required under applicable laws and regulations to maintain controls and procedures, which include disclosure controls and procedures as well as internal control over financial reporting, as further described below.

(a) Disclosure Controls and Procedures

Disclosure controls and procedures refer to controls and other procedures designed to provide reasonable assurance that information required to be disclosed in our financial reports is recorded, processed, summarized and reported within the time periods specified by SEC rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we must apply judgment in evaluating and implementing possible controls and procedures.

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 of the Securities Exchange Act of 1934 (“Exchange Act”), our management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2016, the end of the period covered by this Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2016, at a reasonable level of assurance, in recording, processing, summarizing and reporting information required to be disclosed within the time periods specified by the SEC rules and forms.

(b) Changes in Internal Control Over Financial Reporting

We regularly review our disclosure controls and procedures and make changes intended to ensure the quality of our financial reporting. There were no changes in internal control over financial reporting that occurred in the second quarter of 2016 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The information required by Item 103 of Regulation S-K is included in “Note 14—Commitments, Contingencies, Guarantees and Others.”

Item 1A. Risk Factors

We are not aware of any material changes from the risk factors set forth under “Part I—Item 1A. Risk Factors” in our 2015 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information related to repurchases of shares of our common stock for each calendar month in the second quarter of 2016.

(Dollars in millions, except per share information)	Total Number of Shares Purchased[1]	Average Price Paid per Share[2]	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Amount That May Yet be Purchased Under the Plan or Program[2]
April	2,516,715	$ 70.92	2,516,200	$ 447
May	2,194,034	70.60	2,186,235	292
June	4,340,437	67.90	4,301,347	—
Total	9,051,186	69.39	9,003,782	

[1] Primarily represents repurchases of shares of common stock under the 2015 Stock Repurchase Program. Also includes 515 shares, 7,799 shares and 39,090 shares purchased in April, May and June, respectively, related to the withholding of shares to cover taxes on restricted stock awards whose restrictions have lapsed.

[2] Amounts exclude commission costs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Exchange Act, we are required to disclose in our annual or quarterly reports, as applicable, whether we or any of our affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities designated pursuant to certain Executive Orders. Office of Foreign Assets Control (“OFAC”) regulations and other legal authorities provide exemptions for certain activities involving Iran. However, disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with OFAC or other applicable U.S. law.

During the period covered by this report, we learned from the credit card network that processed these transactions that, between November 2013 and June 2015, COBNA authorized three credit card transactions with Iran Air, which was designated pursuant to Executive Order 13382, for three customers in France, Austria and Malaysia totaling $1,460.22. COBNA had negligible gross revenues and net profits attributable to these transactions. We believe that these transactions were not prohibited under applicable U.S. law. Iran Air is no longer designated pursuant to Order 13382 as of January 16, 2016 and we are not required to provide this disclosure regarding transactions with Iran Air after such date; however, we may in the future engage in similar transactions for our credit card customers to the extent permitted by U.S. law.

Item 6. Exhibits

An index to exhibits has been filed as part of this report and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		CAPITAL ONE FINANCIAL CORPORATION
Date: July 29, 2016	By:	/s/ R. SCOTT BLACKLEY
		R. Scott Blackley
		Chief Financial Officer

EXHIBIT INDEX
CAPITAL ONE FINANCIAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q
DATED JUNE 30, 2016
Commission File No. 1-13300

The following exhibits are incorporated by reference or filed herewith. References to the “2003 Form 10-K” are to the Company’s Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 5, 2004.

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Capital One Financial Corporation, (as restated April 30, 2015) (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on May 4, 2015).
3.2	Amended and Restated Bylaws of Capital One Financial Corporation, dated October 5, 2015 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on October 5, 2015).
3.3.1	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series B, dated August 16, 2012 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on August 20, 2012).
3.3.2	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series C, dated June 11, 2014 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed June 12, 2014).
3.3.3	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series D, dated October 29, 2014 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed October 31, 2014).
3.3.4	Certificate of Designations of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, dated May 12, 2015 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed May 14, 2015).
3.3.5	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series F, dated August 20, 2015 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed August 24, 2015).
3.3.6	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series G, dated July 28, 2016 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed July 29, 2016).
4.1.1	Specimen certificate representing the common stock of Capital One Financial Corporation (incorporated by reference to Exhibit 4.1 of the 2003 Form 10-K).
4.1.2	Warrant Agreement, dated December 3, 2009, between Capital One Financial Corporation and Computershare Trust Company, N.A. (incorporated by reference to the Exhibit 4.1 of the Form 8-A, filed on December 4, 2009).
4.1.3	Deposit Agreement, dated August 20, 2012 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K, filed on August 20, 2012).
4.2	Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, copies of instruments defining the rights of holders of long-term debt are not filed. The Company agrees to furnish a copy thereof to the SEC upon request.
10.1*	Form of Restricted Stock Unit Award Agreement granted to our directors under the Second Amended and Restated 2004 Stock Incentive Plan.
10.2*	Restricted Stock Award Agreement granted to Richard Scott Blackley under the Second Amended and Restated 2004 Stock Incentive Plan, dated May 9, 2016.
10.3*	Amendment 1 to Restricted Stock Award Agreement granted to Stephen S. Crawford under the Second Amended and Restated 2004 Stock Incentive Plan.
12.1*	Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends.
31.1*	Certification of Richard D. Fairbank.
31.2*	Certification of R. Scott Blackley.
32.1*	Certification** of Richard D. Fairbank.
32.2*	Certification** of R. Scott Blackley.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Indicates a document being filed with this Form 10-Q.

** Information in this Form 10-Q furnished herewith shall not be deemed to be “filed” for the purposes of Section 18 of the 1934 Act or otherwise subject to the liabilities of that section.

Exhibit 10.1

CAPITAL ONE FINANCIAL CORPORATION
2004 Stock Incentive Plan
Restricted Stock Unit Award Agreement

No. of Units: %%TOTAL_SHARES_GRANTED%%

THIS Restricted Stock Unit Award AGREEMENT (this “Agreement”), dated May 4, 2016 (the “Date of Grant”), between **CAPITAL ONE FINANCIAL CORPORATION**, a Delaware corporation (“Capital One” or the “Company”), and **%%FIRST_NAME%-% %%LAST_NAME%-%** (“you”), is made pursuant and subject to the provisions of the Company’s 2004 Stock Incentive Plan, as amended and restated (the “Plan”). All capitalized terms used herein that are defined in the Plan shall have the same meaning given them in the Plan unless otherwise defined herein:

W I T N E S S E T H :

1. Grant of Restricted Stock Units. Pursuant and subject to the terms and conditions set forth in this Agreement and in the Plan, Capital One hereby grants to you %%TOTAL_SHARES_GRANTED%-% Restricted Stock Units (the “Restricted Stock Units”). The Restricted Stock Units shall vest, and the shares of common stock of the Company, $.01 par value per share (the “Shares”), underlying the Restricted Stock Units shall be issuable, only in accordance with the provisions of this Agreement and of the Plan. The Restricted Stock Units will not have voting rights.

2. Non-Transferability. Subject to the provisions of Section 3 hereof, the rights represented by the Restricted Stock Units and the underlying Shares related thereto shall not be assignable or transferable, or otherwise alienated or pledged or hypothecated or otherwise encumbered under any circumstances. Any purported or attempted assignment, transfer, alienation, pledge, hypothecation or encumbrance of the Restricted Stock Units or the underlying Shares related thereto prior to their issuance to you shall be null and void and shall result in the immediate forfeiture of such Restricted Stock Units, including the underlying Shares, and cancellation of this Agreement.

3. Issuance of Common Stock.

(a) Vesting. Except as provided in Section 3(b) below, all Restricted Stock Units shall, to the extent not previously vested or forfeited as provided herein, vest on the first anniversary of the Date of Grant (the “Vesting Date”); provided, however, that the underlying Shares shall not be issued to you or be assignable or transferable by you until the date of termination of your service as a Director of the Company (the “Termination Date”), as provided in Section 3(b) below.

The vesting of the Restricted Stock Units and the issuance of the underlying Shares shall be subject to Sections 6 through Section 9 of this Agreement.

(b) Effect of Termination of Service. Upon your termination of service as a Director of the Company for any reason other than by removal for cause, all Restricted Stock Units shall, to the extent not previously vested or forfeited as provided herein, immediately vest, and the underlying Shares shall immediately be issuable to you in full without restrictions on transferability. Upon your termination of service as a Director by removal for cause, all Restricted Stock Units and the underlying Shares, including any Shares accrued in connection with the payment of dividends as provided in Section 5 below, shall immediately be forfeited, whether or not previously vested.

4. Modification and Waiver. Except as provided in the Plan with respect to determinations of the Board of Directors or the Committee and subject to the Committee’s right to amend the Plan, neither this Agreement nor any provision hereof can be changed, modified, amended, discharged, terminated or waived orally or by any course of dealing or purported course of dealing, but only by an agreement in writing signed by you and the Company; provided that changes, modifications and amendments not detrimental to you may be made in writing signed only by the Company. No such agreement shall extend to or affect any provision of this Agreement not expressly changed, modified, amended, discharged, terminated or waived or impair any right consequent on such a provision. The waiver of or failure to enforce any breach of this Agreement shall not be deemed to be a waiver or

acquiescence in any other breach thereof.

5. Dividends. Dividends with respect to the Restricted Stock Units shall accrue beginning on the Date of Grant through the Termination Date, at which time such accrued dividends shall be paid out in the form of additional Shares based on the Fair Market Value of a share of the Company’s common stock on the business day prior to the Termination Date. The accrued dividends that shall be paid out to you shall be only such amount that has accrued with respect to the underlying Shares that vest on the Vesting Date or as described in Section 3(b) above.

6. Governing Law. This Agreement shall be governed by United States federal law and, to the extent not preempted thereby, by the laws of the State of Delaware. Capital One and you hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in any city or county of Delaware for resolution of any and all claims, causes of action or disputes arising out of this Agreement. You and Capital One agree that the court shall not set aside the Committee’s determinations unless there is clear and convincing evidence of bad faith or fraud.

7. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and the provisions of this Agreement, except terms otherwise defined herein, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the date hereof.

8. Bound by Plan. In consideration of this grant of Restricted Stock Units, you agree that you will comply with such conditions as the Board of Directors and the Committee may impose on the Restricted Stock Units and be bound by the terms of the Plan.

9. Binding Effect. This Agreement shall be binding upon, enforceable against and inure to the benefit of you and your legatees, distributees and personal representatives, and the Company and its successors and assigns.

10. Plan Disclosure. Capital One from time to time distributes and makes available disclosure documents, including a prospectus, relating to the Plan. You may also contact the HR Help Center to obtain copies of the Plan disclosure documents and the Plan. You represent that you are familiar with the terms of the Plan and have had the opportunity to ask questions and receive answers concerning the terms and conditions of the Restricted Stock Units. As a condition of this award and your right to receive Restricted Stock Units and the underlying Shares, you must accept this Agreement. By doing so, you confirm the accuracy of the statement set forth in the third sentence of this paragraph, acknowledge receipt of the Plan and the Plan disclosure documents and evidence your acceptance of and agreement to be bound by the terms of this Agreement and the Plan.

IN WITNESS WHEREOF, CAPITAL ONE FINANCIAL CORPORATION has caused this Agreement to be signed on its behalf.

CAPITAL ONE FINANCIAL CORPORATION

/s/ Mayo Shattuck III

Mayo Shattuck III
Chair, Compensation Committee

Exhibit 10.2

CAPITAL ONE FINANCIAL CORPORATION
2004 Stock Incentive Plan
Restricted Stock Unit Award Agreement

No. of Units: 14,368

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this “Agreement”), dated May 9, 2016 (the “Date of Grant”), between CAPITAL ONE FINANCIAL CORPORATION, a Delaware corporation (“Capital One” or the “Company”), and **RICHARD BLACKLEY** (“you”), is made pursuant and subject to the provisions of the Company’s 2004 Stock Incentive Plan, as amended and restated (the “Plan”), and all capitalized terms used herein that are defined in the Plan shall have the same meaning given them in the Plan unless otherwise defined herein. For purposes of this Agreement, “Employer” means the entity (Capital One, Subsidiary or Affiliate) that employs you.

WHEREAS, Article 8 of the Plan provides for the award from time to time in the discretion of the Committee of Restricted Stock Units, representing shares of common stock of Capital One, $.01 par value per share (“Common Stock”), the vesting and issuance of which is subject to continued employment with Capital One or its Subsidiaries or Affiliates or other conditions;

W I T N E S S E T H :

1. Grant of Restricted Stock Units. Capital One hereby grants to you 14,368 Restricted Stock Units (the “Restricted Stock Units”). The Restricted Stock Units shall vest, and the underlying shares of Common Stock (such underlying shares, the “Shares”) shall be issuable, only in accordance with the provisions of this Agreement and of the Plan. The Restricted Stock Units will not have voting rights.

2. Non-Transferability. Subject to the provisions of Section 3 hereof, the rights represented by the Restricted Stock Units shall not be assignable or transferable, or otherwise alienated or hypothecated, under any circumstances. Any purported or attempted transfer of such Restricted Stock Units or such rights shall be null and void and shall result in the immediate forfeiture and cancellation of the Restricted Stock Units.

3. Issuance of Common Stock.

(a) Vesting. Except as provided in Sections 3(b), 3(c) and 3(d) below and to the extent not previously vested or forfeited as provided herein, the Restricted Stock Units shall vest, and the Shares shall be issuable in full without restrictions on transferability, according to the following schedule:

One-quarter of the Restricted Stock Units on May 9, 2017
One-quarter of the Restricted Stock Units on May 9, 2018
One-quarter of the Restricted Stock Units on May 9, 2019
One-quarter of the Restricted Stock Units on May 9, 2020

Each of the immediately above dates shall be a “Scheduled Vesting Date.”

(b) Effect of Termination of Employment.

(i) Except as provided in Section 3(b)(ii), 3(b)(iii), and 3(d), upon your termination of employment with your Employer for any reason all Restricted Stock Units shall immediately be forfeited (to the extent not previously vested or forfeited as provided herein).

(ii) Upon your termination of employment with your Employer as a result of your death or Disability, the Restricted Stock Units shall immediately vest, and the Shares shall be issuable in full without restrictions on transferability, upon such termination of employment (to the extent not previously vested or forfeited as provided herein).

(iii) Upon your termination of employment by your Employer in a manner that makes you eligible for severance compensation or benefits, you will receive continued vesting of the Restricted Stock Units scheduled to vest on each of the Scheduled Vesting Dates as if a termination of employment had not occurred subject to (A) your execution of a separation agreement and/or general release of claims within a period of time as required by Capital One or your Employer (in a form as prescribed by Capital One or your Employer, a "Release"), (B) such Release becoming effective and irrevocable in accordance with its terms and (C) your continued compliance with the terms of such Release through each Scheduled Vesting Date. To the extent a Scheduled Vesting Date occurs prior to the expiration of the period of time Capital One or your Employer provides you to sign the Release, you shall be entitled to vesting of the applicable portion of your Restricted Stock Units on such Scheduled Vesting Date even if you have not yet executed the Release. For avoidance of doubt, such continued vesting shall immediately cease (and any then-unvested Restricted Stock Units shall be immediately forfeited) in the event that you violate the terms and conditions of the Release. For purposes of this Section 3(b)(iv), you will be considered to have experienced a termination of employment by your Employer in a manner that makes you eligible for severance compensation or benefits if (X) you are a U.S. associate and you are eligible to receive benefits under any applicable U.S. Capital One severance plan in place at the time of your termination of employment, (Y) you are a U.K. associate and experience a termination by mutual agreement or redundancy, or (Z) you are a Canadian associate and experience an involuntary termination of employment that qualifies for severance payments under local law.

(c) Vesting Schedule following certain severance-eligible terminations by your Employer.

(i) Unless otherwise determined by the Committee or the independent members of the Board of Directors, as applicable, and to the extent permitted or required by law, a portion of the Restricted Stock Units shall vest, and the Shares shall be issuable in full without restrictions on transferability, following you becoming entitled to continued vesting pursuant to Section 3(b)(iii), at a time determined by Capital One, only and to the extent sufficient, if sold at Fair Market Value, on the date of such determination, to provide for the payment of any tax liability caused as a consequence of such eligibility condition or entitlement in accordance with applicable tax laws. It is understood that the remaining portion of the Restricted Stock Units shall continue to vest on the Scheduled Vesting Dates as provided herein (to the extent not previously vested or forfeited as provided herein).

(ii) Notwithstanding any other provision of this Agreement to the contrary, Capital One and/or your Employer will take all necessary steps to withhold the amount determined pursuant to the immediately foregoing paragraph in satisfaction of any applicable tax withholding liability.

(d) Effect of Change of Control.

(i) Upon your termination of employment by your Employer without Cause or by you for Good Reason (each as defined below), in either case on or prior to the second anniversary of the occurrence of a Change of Control of Capital One, then, notwithstanding anything herein to the contrary, the Restricted Stock Units shall vest and the Shares shall be issuable in full without restrictions on transferability immediately upon the occurrence of your termination of employment following such Change of Control (to the extent not previously vested or forfeited as provided herein); provided, however, that if the Restricted Stock Units are considered deferred compensation under Section 409A of the Code and not exempt from Section 409A of the Code as a short-term deferral or otherwise, and you are a "specified employee," as defined in and pursuant to Reg. Section 1.409A 1(i) or any successor regulation, on the date of any such termination of employment without Cause or for Good Reason, you will not be entitled to such vesting earlier than the earlier of (i) the date which is six months from the date of your "separation from service" (as defined in Reg. Section 1.409A 1(h) or any successor regulation) as a result of such termination and (ii) your death.

(ii) For purposes of this Section 3(d), "Cause" shall mean (1) the willful and continued failure to perform substantially your duties with your Employer (other than any such failure resulting from incapacity due to physical or mental illness or following your delivery of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to you by your Employer that specifically identifies the manner in which your Employer believes that you have not substantially performed your duties, or (2) the willful engaging by you in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company and/or its Affiliates. No act, or failure to act, on the part of you shall be considered "willful" unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Company and/or its Affiliates. Any act, or failure to act, based upon the advice of counsel for the Company or your Employer shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company and/or its Affiliates.

(iii) For purposes of this Section 3(d), "Good Reason" shall mean (1) the assignment to you of any duties inconsistent in any respect with your position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or any action by your Employer that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by your Employer promptly after receipt of notice thereof given by you; (2) any failure by the Company or your Employer to pay your compensation owed other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Company or your Employer promptly after receipt of notice thereof given by you; (3) the Employer's requiring you (I) to be based at any office or location more than 35 miles from the office or location at which you were required to work as of the date of this Agreement or (II) to travel on Company or Employer business to a substantially greater extent than required during the 120-day period immediately prior to the date the Change of Control occurs; or (4) any other action or inaction that constitutes a material breach by the Company of this Agreement or by your Employer of any employment agreement. Your mental or physical incapacity following the occurrence of an event described above in clauses (1) through (4) shall not affect your ability to terminate employment for Good Reason.

(iv) Any termination by your Employer for Cause, or by you for Good Reason, shall be communicated by Notice of Termination to the other party. "Notice of Termination" means a written notice that (1) indicates the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated, and (3) if the Date of Termination (as defined herein) is other than the date of receipt of such notice, specifies the Date of Termination (which Date of Termination shall be not more than 30 days after the giving of such notice). The failure by you or your Employer to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of you or the Company, respectively, hereunder or preclude you or the Company, respectively, from asserting such fact or circumstance in enforcing your or the Company's respective rights hereunder.

(v) "Date of Termination" means, if your employment is terminated by your Employer for Cause, or by you for Good Reason, the date of receipt of the Notice of Termination or such later date specified in the Notice of Termination, as the case may be. You and your Employer shall take all steps necessary to ensure that any termination described in this Section 3(d) constitutes a "separation from service" within the meaning of Section 409A of the Code, and notwithstanding anything contained herein to the contrary, the date on which such separation from service takes place shall be the "Date of Termination."

4. Modification and Waiver. Except as provided in the Plan with respect to determinations of the Committee and subject to the Committee's right to amend the Plan, neither this Agreement nor any provision hereof can be changed, modified, amended, discharged, terminated or waived orally or by any course of dealing or purported course of dealing, but only by an agreement in writing signed by you and Capital One; provided that, changes, modifications and amendments not detrimental to you may be made in writing signed only by Capital One. No such agreement shall extend to or affect any provision of this Agreement not expressly changed, modified, amended, discharged, terminated or waived or impair any right consequent on such a provision. The waiver of or failure to enforce any breach of this Agreement shall not be deemed to be a waiver or acquiescence in any other breach thereof.

5. Tax Withholding. If you become subject to withholding under applicable tax laws, you agree to pay Capital One the amount required to be withheld by one or more of the following methods:

(a) Capital One's designated agent will automatically withhold the number of shares having a Fair Market Value equal to the amount required to be withheld and deliver the proceeds thereof to Capital One; or

(b) by such other methods as Capital One may make available from time to time.

Further, if you are subject to any income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan ("Tax-Related Items") in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that Capital One and/or your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

If you are employed or reside outside of the United States, this section is replaced in its entirety with the relevant section in Appendix B.

6. Dividend Equivalents. With respect to the Restricted Stock Units, dividend equivalents shall be paid to you in cash as soon as is practicable after dividends are paid to the Company's other stockholders.

7. Governing Law. This Agreement shall be governed by United States federal law and, to the extent not preempted thereby, by the laws of the State of Delaware. Capital One and you hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in any city or county of Delaware for resolution of any and all claims, causes of action or disputes arising out of this Agreement. You and Capital One agree that the court shall not set aside the Committee's determinations unless there is clear and convincing evidence of bad faith or fraud.

8. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and the provisions of this Agreement, except terms otherwise defined herein, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the date hereof.

9. Bound by Plan. In consideration of the grant of the Restricted Stock Units, you agree that you will comply with such conditions as the Committee may impose on the Restricted Stock Units and be bound by the terms of the Plan.

10. Employment Status. This Agreement does not constitute a contract of employment nor does it alter your terminable at will status or otherwise guarantee future employment.

11. Binding Effect. This Agreement shall be binding upon, enforceable against, and inure to the benefit of you and your legatees, distributees and personal representatives, and Capital One and its successors and assigns.

12. Forfeiture Event. You agree to reimburse the Company with respect to the Restricted Stock Units to the extent required under Section 304 of the Sarbanes-Oxley Act of 2002 or as otherwise required by law.

13. Data Protection. You consent to the collection, processing and transfer (including international transfer) of your personally identifiable data in connection with the grant of the Restricted Stock Units and participation in the Plan. If you reside or are employed outside of the United States, your personal data is subject to the terms as set out in Appendix A for the purposes specified therein.

14. Severability. This Agreement shall be enforceable to the fullest extent allowed by law. In the event that any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, then that provision shall be reduced, modified or otherwise conformed to the relevant law, judgment or determination to the degree necessary to render it valid and enforceable without affecting the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be deemed severable

from the remainder of this Agreement, and the remaining provisions contained in this Agreement shall be construed to preserve to the maximum permissible extent the intent and purposes of this Agreement.

15. Addendum to Agreement. If you reside or are employed outside of the United States, notwithstanding any provisions of this Agreement to the contrary, the Restricted Stock Units shall be subject to such special terms and conditions for your country of residence (and country of employment, if different), as Capital One may determine in its sole discretion and which shall be set forth in Appendix B to this Agreement (the "Addendum"). If you transfer your residence and/or employment to another country, any special terms and conditions for such country will apply to the Restricted Stock Units to the extent Capital One determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and regulations, or to facilitate the operation and administration of the Restricted Stock Units and the Plan (or Capital One may establish additional terms and conditions as may be necessary or advisable to accommodate your transfer). In all circumstances, the Addendum shall constitute a part of these terms and conditions.

16. Miscellaneous. In accepting the grant, you acknowledge and agree that:

(a) this Agreement is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in a manner so as to comply therewith;

(b) your obligations under this Agreement shall survive any termination of your employment with the Company for any reason;

(c) Any of the Company's rights or remedies under this Agreement shall be cumulative and in addition to whatever other remedies the Company may have under law or equity;

(d) Any recovery by the Company under this Agreement will be a recovery of Restricted Stock Units to which you were not entitled under this Agreement and is not to be construed in any manner as a penalty;

(e) the Company may, to the maximum extent permitted by applicable law and Section 409A of the Code, retain for itself funds or securities otherwise payable to you pursuant to this Agreement to satisfy any obligation or debt that you owe the Company, including any obligations hereunder. The Company may not retain such funds or securities until such time as they would otherwise be distributable to you in accordance with this Agreement;

(f) the Company reserves the right to impose other requirements on the Restricted Stock Units, any Shares acquired pursuant to the Restricted Stock Units, and your participation in the Plan, to the extent Capital One determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and regulations, or to facilitate the administration of the Restricted Stock Units and the Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing; and

(g) Capital One from time to time distributes and makes available to associates disclosure documents, including a prospectus, relating to the Plan. You may also contact the HR Help Center to obtain copies of the Plan disclosure documents and the Plan. You should carefully read the Plan disclosure documents and the Plan. By accepting the benefits of this Agreement you acknowledge receipt of the Plan and the Plan disclosure documents and agree to be bound by the terms of this Agreement and the Plan. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by Capital One or a third-party designated by Capital One.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed on their behalf.

CAPITAL ONE FINANCIAL CORPORATION

By: /s/ Jory Berson
Jory Berson
Chief Human Resources Officer

PARTICIPANT

By: /s/ Richard Blackley
Richard Blackley

By electronically accepting the Award, YOU agree that (i) such acceptance constitutes YOUR electronic signature in execution of this Agreement; (ii) YOU agree to be bound by the provisions of the Plan, the Agreement and the Addendum; (iii) YOU HAVE reviewed the Plan, the Agreement and the Addendum in their entirety, haVE had an opportunity to obtain the advice of counsel prior to accepting the Award and fully understand all of the provisions of the Plan, the Agreement and the Addendum; (iv) YOU HAVE been provided with a copy or electronic access to a copy of the U.S. prospectus for the Plan; and (v) YOU hereby agree to accept as binding, conclusive and final all decisions or interpretations of the COMMITTEE upon any questions arising under the Plan, the Agreement and the Addendum.

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APPENDIX A

DATA PROTECTION PROVISION FOR PARTICIPANTS WHO RESIDE OR ARE EMPLOYED OUTSIDE OF THE UNITED STATES

If you reside or are employed outside of the United States, pursuant to applicable personal data protection laws, Capital One hereby notifies you of the following in relation to your personally identifiable data ("Personal Data") and the collection, processing and transfer of such data in relation to Capital One's grant of the Restricted Stock Units and participation in the Plan. The collection, processing and transfer of Personal Data is necessary for Capital One's administration of the Plan and your participation in the Plan, and although you have the right to deny or object to the collection, processing and transfer of Personal Data, your denial and/or objection to the collection, processing and transfer of Personal Data may affect your participation in the Plan. As such, you voluntarily acknowledge and consent (where required under applicable law) to the collection, use, processing and transfer of Personal Data as described herein:

Capital One and your Employer hold certain Personal Data about you, including (but not limited to) your name, home address and telephone number, date of birth, social security number (social insurance number, resident registration number or tax identification number) or other employee identification number, salary, nationality, job title, any shares of Common Stock or directorships held in Capital One, details of all entitlements to shares of Common Stock (or cash) awarded, canceled, purchased, vested, unvested or outstanding in your favor, for the purpose of managing and administering the Plan. The Personal Data may be provided by you or collected, where lawful, from your Employer, Capital One, its Affiliates and/or third parties, and Capital One and your Employer will process the Personal Data in this context for the exclusive purpose of implementing, administering and managing your participation in the Plan. The Personal Data processing will take place through electronic and non-electronic means correlated to the purposes for which Personal Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations in your country of residence (or country of employment, if different). Personal Data will be accessible within the organization only by those persons requiring access for purposes of the implementation, administration and operation of the Plan and for the participation in the Plan.

Capital One and your Employer will transfer Personal Data internally as necessary for the purpose of implementation, administration and management of your participation in the Plan, and Capital One and/or your Employer may further transfer Personal Data to any third parties assisting Capital One in the implementation, administration and management of the Plan. The third party recipients of Personal Data may be any Affiliate of Capital One or a broker/administrator that Capital One may engage to assist with the implementation, administration and management of the Plan from time to time, including, but not limited to, E*TRADE (or its successor), and any third party vendors with whom E*TRADE (or its successor) has contracted to provide services under the Plan. These recipients may be located in the European Economic Area, or in in other countries, such as the United States, which may not be considered to provide the same level of privacy protection to Personal Data as that provided by your home country. You hereby authorize (where required under applicable law) such processing and transfer of Personal Data.

You may, at any time, exercise your rights provided under applicable personal data protection laws, which may include the right to (i) obtain confirmation as to the existence of the Personal Data, (ii) verify the content, origin and accuracy of the Personal Data, (iii) request the integration, update, amendment, deletion or blockage (for breach of applicable laws) of the Personal Data, (iv) oppose, for legal reasons, the collection, processing or transfer of the Personal Data which is not necessary or required for the implementation, administration and/or operation of the Plan and your participation in the Plan, and (v) withdraw your consent to the collection, processing or transfer of Personal Data as provided hereunder (in which case, the Restricted Stock Units will become null and void). You may seek to exercise these rights by contacting the equity administrator at equityadministrator@capitalone.com.

APPENDIX B

ADDENDUM TO RESTRICTED STOCK UNIT AGREEMENT FOR PARTICIPANTS WHO RESIDE OR ARE EMPLOYED OUTSIDE OF THE UNITED STATES

In addition to the terms of the Plan and the Agreement and unless otherwise determined by Capital One, in its sole discretion, the Restricted Stock Units are subject to the following additional terms and conditions as set forth in this addendum to the Agreement (the “Addendum”) to the extent you reside or are employed in one of the countries addressed herein. To the extent you transfer residence or employment to another country, the special terms and conditions for such country as reflected in this Addendum (if any) will apply to you to the extent Capital One determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws, rules and/or regulations, or to facilitate the operation and administration of the Restricted Stock Units and the Plan (or Capital One may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). All defined terms contained in this Addendum shall have the same meaning as set forth in the Plan and the Agreement.

ALL NON-U.S. COUNTRIES

Except to the extent superseded by a term or condition set forth herein for a country in which you reside or are employed, the following provisions apply if you reside or are employed outside of the United States (or transfer residence or employment to a country outside of the United States).

1. Discretion to Settle in Cash. Notwithstanding any provision in the Agreement to the contrary, if you are resident or employed outside of the United States, Capital One may, in its sole discretion, settle the Restricted Stock Units in the form of a cash payment to the extent settlement in Shares: (i) is prohibited under local law; (ii) would require you, Capital One and/or its Subsidiaries or Affiliates to obtain the approval of any governmental and/or regulatory body in your country of residence (or country of employment, if different); (iii) would result in adverse tax consequences for you, Capital One or your Employer; or (iv) is administratively burdensome. Alternatively, Capital One may, in its sole discretion settle the Restricted Stock Units in the form of Shares but require you to sell such Shares immediately or within a specified period following your termination of employment (in which case, this Agreement shall give Capital One the authority to issue sales instructions on your behalf).

2. No Advice Regarding Grant. No employee of Capital One or your Employer is permitted to advise you regarding your participation in the Plan or your acquisition or sale of Shares underlying the Restricted Stock Units. You are hereby advised to consult with your own personal tax, legal and financial advisors before taking any action related to the Plan.

3. Insider Trading and Market Abuse Laws. Your country of residence may have insider trading and/or market abuse laws that may affect your ability to acquire or sell Shares under the Plan during such times you are considered to have “inside information” (as defined by the laws in your country). These laws may be the same or different from any Capital One insider trading policy. You acknowledge that it is your responsibility to be informed of and compliant with such regulations, and you are advised to speak to your personal advisor on this matter.

4. English Language. You acknowledge and agree that it is your express intent that the Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Restricted Stock Units, be drawn up in English. If you have received the Agreement, the Plan or any other documents related to the Restricted Stock Units translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

5. Not a Public Offering in Non-U.S. Jurisdictions. Neither the grant of the Restricted Stock Units under the Plan nor the issuance of the underlying Shares upon vesting of the Restricted Stock Units is intended to be a public offering of securities in your country of residence (and country of employment, if different). Capital One has not submitted any registration statement, prospectus or other filings to the local securities authorities in jurisdictions outside of the United States unless otherwise required under local law.

6. Compliance with Local Law. You agree to repatriate all payments attributable to Shares and/or cash acquired under the Plan in accordance with local foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you agree to take any and all actions, and consent to any and all actions taken by Capital One and its Subsidiaries and Affiliates, as may be required to allow Capital One and its Subsidiaries and Affiliates to comply with local laws, rules and regulations in your country of residence (and country of employment, if different). You also agree to take any and all actions as may be required to comply with your personal legal and tax obligations under local laws, rules and regulations in your country of residence (and country of employment, if different).

7. For purposes of this Agreement the following provision shall replace Section 5 of the Agreement in its entirety.

5. Responsibility for Taxes; Tax Withholding.

(a) You acknowledge that, regardless of any action taken by Capital One or your Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("Tax-Related Items"), is and remains your responsibility and may exceed the amount actually withheld by Capital One or your Employer. You further acknowledge that Capital One and your Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividend equivalents and/or dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to Capital One and/or your Employer to satisfy all Tax-Related Items. In this regard, you authorize Capital One, your Employer or an agent of Capital One or your Employer to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(i) by withholding from your wages or other cash compensation paid to you by Capital One and/or your Employer;

(ii) by Capital One's designated agent automatically withholding the number of Shares having a Fair Market Value equal to the amount required to be withheld and delivering the proceeds thereof to Capital One;

(iii) by withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by Capital One (on your behalf pursuant to this authorization without further consent); or

(iv) by such other methods as Capital One may make available from time to time.

If you are subject to Tax-Related Items in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that Capital One and/or your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Depending on the withholding method, Capital One may withhold or account for Tax-Related Items by considering applicable statutory minimum withholding rates (as determined by Capital One in good faith and in its sole discretion) or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding from the Shares to be delivered upon settlement of the Restricted Stock Units, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

You agree to pay to Capital One or your Employer any amount of Tax-Related Items that Capital One or your Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. Capital One may refuse to issue or deliver the Shares (or cash payment) or the proceeds from the sale of Shares if you fail to comply with your obligations in connection with the Tax-Related Items.

8. Nature of Grant. In accepting the grant of Restricted Stock Units, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by Capital One, it is discretionary in nature and it may be modified, suspended or terminated by the Committee at any time, as provided in the Plan and this Agreement;

(b) the grant of Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(c) all decisions with respect to future grants of Restricted Stock Units or other grants, if any, will be at the sole discretion of Capital One, including, but not limited to, the form and timing of an Award, the number of shares of Common Stock subject to an Award, and the vesting provisions applicable to the Award;

(d) the grant of Restricted Stock Units and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with Capital One, your Employer or any Affiliate and shall not interfere with the ability of your Employer to terminate your employment or service relationship;

(e) you are voluntarily participating in the Plan;

(f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation;

(g) the Restricted Stock Units, the Shares subject to the Restricted Stock Units and the value of same, are an extraordinary item of compensation outside the scope of your employment (and employment contract, if any) and is not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the Shares underlying the Restricted Stock Units is unknown, indeterminable and cannot be predicted with certainty;

(i) unless otherwise determined by the Committee in its sole discretion, a termination of employment shall be effective from the date on which active employment or service ends and shall not be extended by any statutory or common law notice of termination period; the Committee or its delegate shall have the exclusive discretion to determine when a termination of employment occurs for purposes of this grant of Restricted Stock Units;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from your ceasing to have rights under or to be entitled to Restricted Stock Units, whether or not as a result of your a termination of employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any);

(k) if you reside or are employed outside the United States, you acknowledge and agree that neither Capital One nor any Affiliate shall be liable for any exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

CANADA

1. Settlement in Shares. Notwithstanding any provision in the Agreement or Plan to the contrary, vested Restricted Stock Units shall be settled only in Shares (and not in cash).

2. Use of English Language / Langue anglaise. I confirm that I have read and understood the Agreement and the Plan, which were provided in the English language. I accept the terms of those documents accordingly. I acknowledge that it is my express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English. ***Je confirme avoir lu et compris l'entente et le plan qui m'ont été communiqués en langue anglaise. J'accepte les conditions énumérées dans ces documents en pleine connaissance de cause. Je reconnais avoir expressément exigé la rédaction en anglais de l'entente, ainsi que de tous documents exécutés, avis donnés ou procédures judiciaires intentées, directement ou indirectement, relatifs à, ou suite à, l'entente.***

3. Termination of Employment. For purposes of the Agreement, a termination of employment is determined to occur upon the earliest of the following: (a) the date upon which you receive written notice of termination, regardless of any notice period or period of pay in lieu of such notice mandated under the employment laws of the jurisdiction in which you are employed or the terms of your employment agreement; or (b) the date on which you are no longer actively employed or actively providing services.

UNITED KINGDOM

1. Responsibility for Taxes; Tax Withholding. Notwithstanding any provision in the Agreement or Addendum to the contrary, the following provision shall replace Section 5 of the Agreement in its entirety:

5. Responsibility for Taxes; Tax Withholding.

(a) You acknowledge that, regardless of any action taken by Capital One or your Employer, the ultimate liability for all income tax, primary Class 1 National Insurance contributions ("NICs"), social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items attributable to or payable in connection with or pursuant to the grant or vesting of any of your Restricted Stock Units and the acquisition of Shares, the release or assignment of any Restricted Stock Units for consideration, or the receipt of any other benefit in connection with the Restricted Stock Units ("Tax-Related Items") required to be paid or withheld in connection with the Restricted Stock Units, is and remains your responsibility and may exceed the amount actually withheld by Capital One or your Employer. You further acknowledge that Capital One and your Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including (without limitation), but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividend equivalents and/or dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to Capital One and/or your Employer to satisfy all Tax-Related Items. In this regard, you authorize Capital One, your Employer or an agent of Capital One or your Employer to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(i) by withholding from your wages or other cash compensation paid to you by Capital One and/or your Employer;

(ii) by Capital One’s designated agent automatically withholding the number of Shares having a Fair Market Value equal to the amount required to be withheld and delivering the proceeds thereof to Capital One;

(iii) by withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by Capital One (on your behalf pursuant to this authorization without further consent); or

(iv) by such other methods as Capital One may make available from time to time.

If you are subject to Tax-Related Items in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that Capital One and/or your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Depending on the withholding method, Capital One may withhold or account for Tax-Related Items by considering applicable statutory minimum withholding rates (as determined by Capital One in good faith and in its sole discretion) or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding from the Shares to be delivered upon settlement of the Restricted Stock Units, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

You agree to pay to Capital One or your Employer any amount of Tax-Related Items that Capital One or your Employer may be required to account to HM Revenue & Customs (“HMRC”) with respect to the event giving rise to the Tax-Related Items (the “Chargeable Event”) that cannot be satisfied by the means previously described. If payment or withholding is not made within 90 days after the end of the U.K. tax year in which the Chargeable Event occurs or such other period specified in section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the “Due Date”), you agree that the amount of any uncollected income tax shall (assuming you are not a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), constitute a loan owed by you to the Company or Employer, effective on the Due Date. You agree that the loan will bear interest at the then-current HMRC Official Rate and it will be immediately due and repayable, and the Company or Employer may recover it at any time thereafter by any of the means referred to above.

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), you understand that you shall not be eligible for such a loan from the Company to cover the uncollected income tax. In the event that you are such a director or executive officer and the income tax is not collected from or paid by you by the Due Date, you understand that the amount of any uncollected income tax may constitute a benefit to you on which additional income tax and NICs may be payable. You understand and acknowledge that you will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or your Employer, as applicable, for any employee NICs due on this additional benefit, which may be recovered from you by the Company or your Employer at any time thereafter by any of the means referred to above.

Capital One may refuse to issue or deliver the Shares (or cash payment) or the proceeds from the sale of Shares if you fail to comply with your obligations in connection with the Tax-Related Items.

2. Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages,

insofar as such entitlement arises or may arise from your ceasing to have rights under or to be entitled to vest in the Restricted Stock Units, whether or not as a result of your termination (whether such termination is in breach of contract or otherwise), or from the loss or diminution in value of the Restricted Stock Units. Upon the grant of the Restricted Stock Units, you shall be deemed to have irrevocably waived any such entitlement.

* * * * *

Exhibit 10.3

Amendment #1 to
Capital One Financial Corporation
2004 Stock Incentive Plan
Restricted Stock Award Agreement

This AMENDMENT (this “Amendment”), effective June 21, 2016 (the “Effective Date”), amends the terms and conditions of the Capital One Financial Corporation 2004 Stock Incentive Plan Restricted Stock Award Agreement (the “Award Agreement”) by and between Capital One Financial Corporation, a Delaware corporation (“Capital One” or the “Company”) and Stephen Crawford dated February 4, 2013. Terms used herein, unless otherwise defined herein, shall have the meanings ascribed to them in the Award Agreement.

WHEREAS, pursuant to Section 17.1 of the Plan, the Committee is empowered to amend the terms of the Award Agreement; and

WHEREAS, the Grantee has consented to such amendment to the Award Agreement.

NOW, THEREFORE, effective as of the Effective Date, the Award Agreement is amended as follows:

1. Section 3(c) of the Award Agreement shall be replaced in its entirety with the following:

   (c) <u>Vesting Schedule Upon Eligibility for Retirement or Upon Becoming Subject to Tax Withholding Prior to the Scheduled Vesting Dates</u>.

   (i) Unless otherwise determined by the Committee or the independent members of the Board, as applicable, and to the extent permitted or required by law, the Restricted Stock shall become transferable upon you becoming (i) eligible for Retirement or (ii) subject to withholding under applicable tax laws prior to the Scheduled Vesting Dates, only and to the extent sufficient, if sold at Fair Market Value, on the date of such condition, to provide for the payment of any tax liability caused as a consequence of such condition in accordance with applicable tax laws. It is understood that the remaining portion of the Restricted Stock shall continue to vest on the Scheduled Vesting Dates as provided herein.

   (ii) Notwithstanding any other provision of this Agreement to the contrary, Capital One will instruct the Plan administrator to withhold and transfer to Capital One the Restricted Stock that becomes transferable pursuant to the immediately foregoing paragraph in satisfaction of your tax withholding liability, unless you notify Capital One of your intention to satisfy such tax withholding obligations in another permissible manner not less than 60 days prior to such eligibility date. Capital One reserves the right to change this instruction at any time.

2. <u>Continuing Effect</u>. Except as specifically provided herein, the Award Agreement shall remain in full force and effect in accordance with its respective terms and are hereby ratified and confirmed in all respects.

3. <u>No Waiver</u>. This Amendment is limited as specified and the execution, delivery and effectiveness of this Amendment shall not operate as a modification, acceptance, termination, impairment or waiver of any provision of the Award Agreement except as specifically set forth herein.

4. <u>Binding Effect</u>. This Agreement shall be binding upon, enforceable against, and inure to the benefit of you and your legatees, distributees and personal representatives, and Capital One and its successors and assigns.

IN WITNESS WHEREOF, Capital One Financial Corporation has caused this Amendment to be signed on its behalf.

CAPITAL ONE FINANCIAL CORPORATION

By: /s/ Jory Berson

Jory Berson

Chief Human Resources Officer

Exhibit 12.1

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Dollars in millions)	Six Months Ended June 30, 2016	Year Ended December 31, 2015	2014	2013	2012	2011
Ratios (including interest expense on deposits):						
Earnings:						
Income from continuing operations before income taxes	**$ 2,837**	$ 5,881	$ 6,569	$ 6,578	$ 5,184	$ 4,688
Adjustments:						
Fixed charges	**942**	1,632	1,586	1,796	2,377	2,251
Equity in undistributed (gain) loss of unconsolidated subsidiaries	**(2)**	(19)	(1)	(16)	(22)	4
Earnings available for fixed charges, as adjusted	**$ 3,777**	$ 7,494	$ 8,154	$ 8,358	$ 7,539	$ 6,943
Fixed charges:						
Interest expense on deposits and borrowings	**$ 939**	$ 1,625	$ 1,579	$ 1,792	$ 2,375	$ 2,246
Interest factor in rent expense	**3**	7	7	4	2	5
Total fixed charges	**942**	1,632	1,586	1,796	2,377	2,251
Preferred stock dividend requirements[1]	**148**	232	100	77	20	—
Total combined fixed charges and preferred stock dividends	**$ 1,090**	$ 1,864	$ 1,686	$ 1,873	$ 2,397	$ 2,251
Ratio of earnings to fixed charges	**4.01**	4.59	5.14	4.65	3.17	3.08
Ratio of earnings to combined fixed charges and preferred stock dividends	**3.47**	4.02	4.84	4.46	3.15	3.08
Ratios (excluding interest expense on deposits):						
Earnings:						
Income from continuing operations before income taxes	**$ 2,837**	$ 5,881	$ 6,569	$ 6,578	$ 5,184	$ 4,688
Adjustments:						
Fixed charges	**367**	541	498	555	974	1,064
Equity in undistributed (gain) loss of unconsolidated subsidiaries	**(2)**	(19)	(1)	(16)	(22)	4
Earnings available for fixed charges, as adjusted	**$ 3,202**	$ 6,403	$ 7,066	$ 7,117	$ 6,136	$ 5,756
Fixed charges:						
Interest expense on borrowings[2]	**$ 364**	$ 534	$ 491	$ 551	$ 972	$ 1,059
Interest factor in rent expense	**3**	7	7	4	2	5
Total fixed charges	**367**	541	498	555	974	1,064
Preferred stock dividend requirements[1]	**148**	232	100	77	20	—
Total combined fixed charges and preferred stock dividends	**$ 515**	$ 773	$ 598	$ 632	$ 994	$ 1,064
Ratio of earnings to fixed charges, excluding interest on deposits	**8.72**	11.84	14.19	12.82	6.30	5.41
Ratio of earnings to combined fixed charges, excluding interest on deposits and preferred stock dividends	**6.22**	8.28	11.82	11.26	6.17	5.41

(1) Preferred stock dividends represent pre-tax earnings that would be required to cover any preferred stock dividends requirements, computed using our effective tax rate, whenever there is an income tax provision, for the relevant periods.

(2) Represents total interest expense reported on our consolidated statements of income, excluding interest on deposits of $575 million for the six months ended June 30, 2016, and $1.1 billion for the years ended December 31, 2015 and 2014, and $1.2 billion, $1.4 billion and $1.2 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

Exhibit 31.1

CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q OF CAPITAL ONE FINANCIAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

I, Richard D. Fairbank, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016 of Capital One Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 29, 2016	By:	/s/ RICHARD D. FAIRBANK
			Richard D. Fairbank
			Chair, Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q OF CAPITAL ONE FINANCIAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

I, R. Scott Blackley, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q for the Quarter ended June 30, 2016 of Capital One Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	July 29, 2016	By:	/s/ R. SCOTT BLACKLEY
			R. Scott Blackley Chief Financial Officer and Controller

Exhibit 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Richard D. Fairbank, Chairman, Chief Executive Officer and President of Capital One Financial Corporation ("Capital One"), a Delaware corporation , do hereby certify that:

1. The Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (the "Form 10-Q") of Capital One fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Capital One.

Date:	July 29, 2016	By:	/s/ RICHARD D. FAIRBANK
			Richard D. Fairbank Chair, Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to Capital One and will be retained by Capital One and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, R. Scott Blackley, Chief Financial Officer and Controller of Capital One Financial Corporation ("Capital One"), a Delaware corporation, do hereby certify that:

1. The Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (the "Form 10-Q") of Capital One fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Capital One.

Date:	July 29, 2016	By:	/s/ R. SCOTT BLACKLEY
			R. Scott Blackley
			Chief Financial Officer and Controller

A signed original of this written statement required by Section 906 has been provided to Capital One and will be retained by Capital One and furnished to the Securities and Exchange Commission or its staff upon request.