



Second Quarter 2019 Results

July 18, 2019

Forward-Looking Statements



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You should carefully consider the factors discussed above in evaluating these forward-looking statements. All information in these slides is based on the consolidated results of Capital One Financial Corporation, unless otherwise noted. A reconciliation of any non-GAAP financial measures included in this presentation can be found in Capital One's Current Report on Form 8-K filed July 18, 2019, available on its website at www.capitalone.com under "Investors."

Company Highlights

- Net income for the second quarter of 2019 of \$1.6 billion, or \$3.24 per diluted common share
 - Excluding adjusting items, net income per diluted common share for the second quarter of 2019 of \$3.37⁽¹⁾
- Pre-provision earnings decreased 2% to \$3.3 billion for the second quarter of 2019⁽²⁾
- Efficiency ratio of 53.05% for the second quarter of 2019
 - Efficiency ratio excluding adjusting items of 51.90%⁽¹⁾
- Operating efficiency ratio of 45.38% for the second quarter of 2019
 - Operating efficiency ratio excluding adjusting items of 44.24%⁽¹⁾
- Adjusting items in the quarter, which are excluded from diluted EPS and efficiency ratio metrics (see slide 13 for additional information):

	Pre-Tax	Diluted EPS
<i>(Dollars in millions, except per share data)</i>	Impact	Impact
Walmart launch and related integration expenses	\$ (54)	\$ (0.09)
Restructuring charges	(28)	(0.04)

- The quarter included one notable item:

	Pre-Tax	Diluted EPS
<i>(Dollars in millions, except per share data)</i>	Impact	Impact
Sale of partnership receivables	\$ 128	\$ 0.21

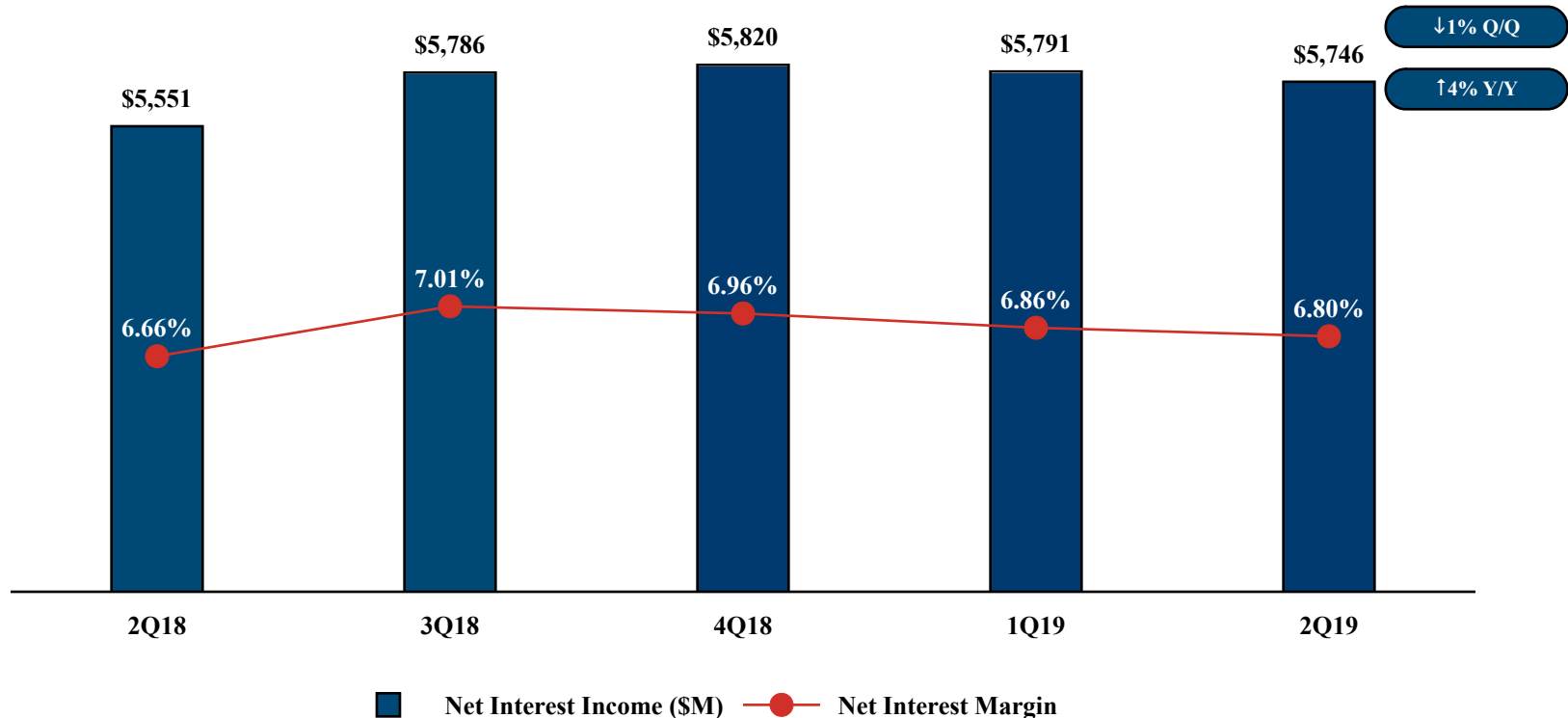
- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 12.3% at June 30, 2019
- Period-end loans held for investment increased \$4.2 billion to \$244.5 billion
- Average loans held for investment increased \$694 million to \$242.7 billion
- Period-end total deposits decreased \$572 million to \$254.5 billion
- Average total deposits increased \$2.2 billion to \$253.6 billion

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

⁽¹⁾ Amounts excluding adjusting items are non-GAAP measures. See Appendix slides 13-14 for the reconciliation of non-GAAP measures to our reported results.

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

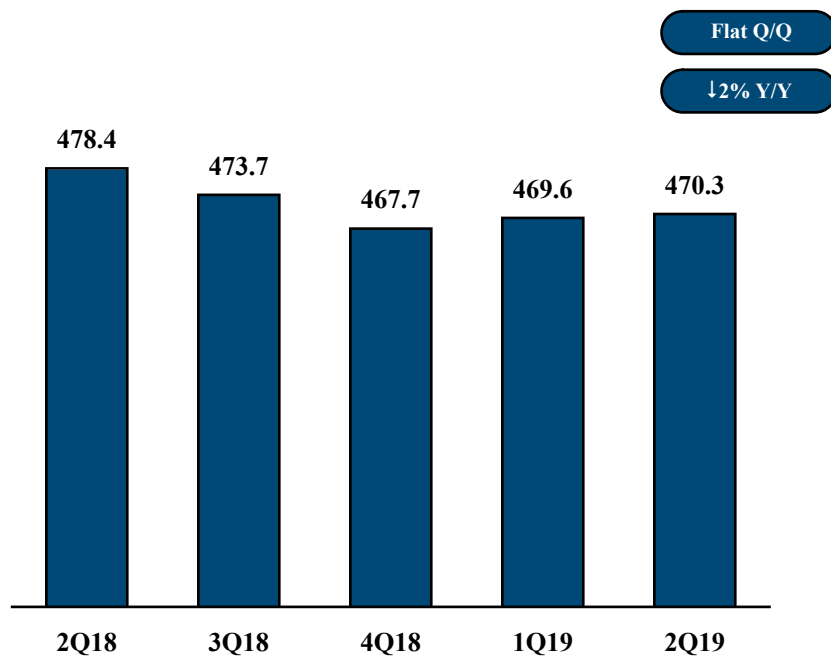
Net Interest Income and Net Interest Margin



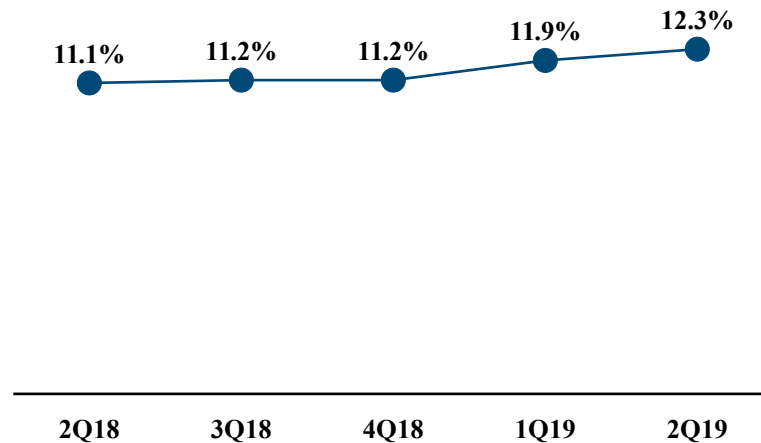
Second Quarter 2019 Highlights

- Net interest margin decreased 6 basis points quarter-over-quarter primarily driven by lower rates on interest-earning assets and higher rates on interest-bearing liabilities, partially offset by one additional day to recognize income.
- Net interest margin increased 14 basis points year-over-year primarily driven by changes in product mix and higher rates on interest-earnings assets, partially offset by higher rates on interest-bearing liabilities.

Ending Common Shares Outstanding (M)



Common Equity Tier 1 Capital Ratio

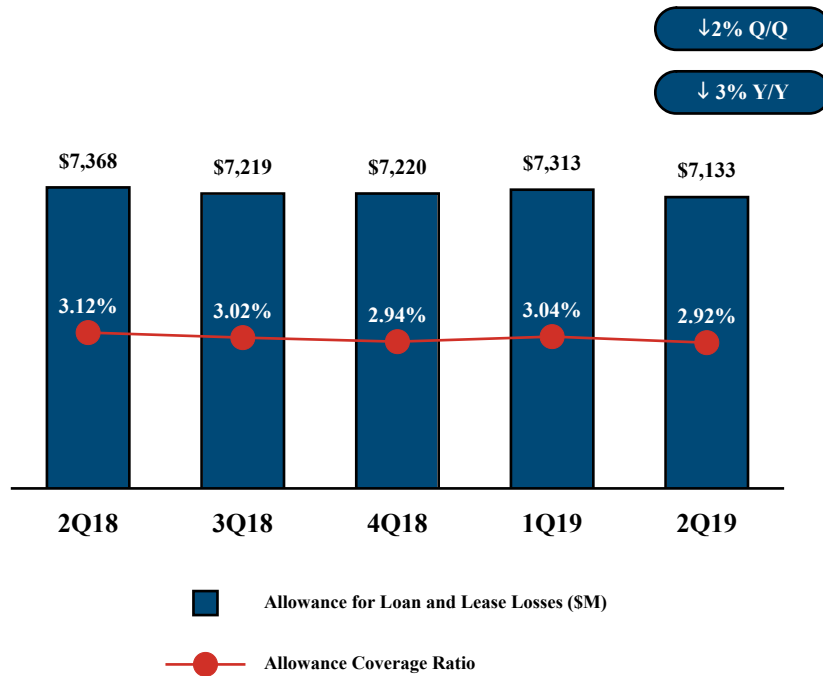


Second Quarter 2019 Highlights

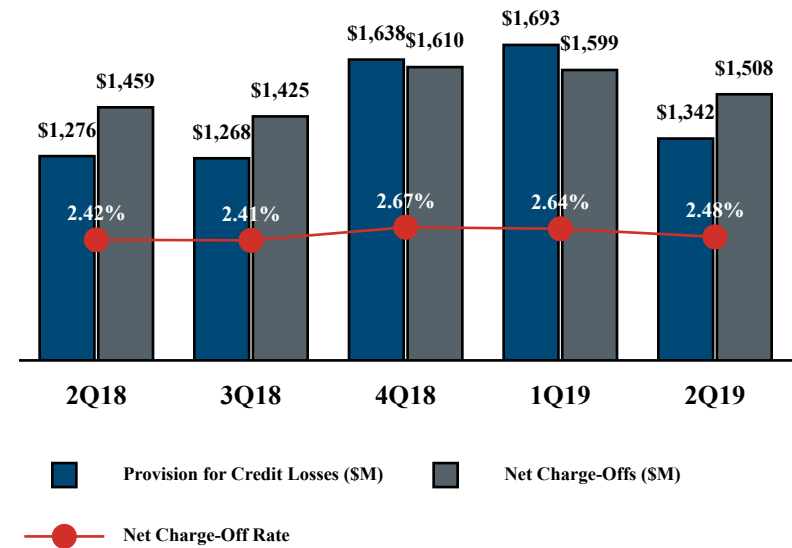
- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 12.3% at June 30, 2019
- We exceeded the fully phased-in Liquidity Coverage Ratio requirement at June 30, 2019

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

Allowance for Loan and Lease Losses



Provision for Credit Losses and Net Charge-Offs



Second Quarter 2019 Highlights

- Net charge-off rate of 2.48%
- Allowance for loan and lease losses decreased by \$180 million to \$7.1 billion
- Allowance coverage ratio of 2.92%

Financial Summary—Business Segment Results



<i>(Dollars in millions)</i>	Three Months Ended June 30, 2019				
	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Net interest income (loss)	\$ 3,531	\$ 1,709	\$ 514	\$ (8)	\$ 5,746
Non-interest income (loss)	1,038	166	200	(26)	1,378
Total net revenue (loss)	4,569	1,875	714	(34)	7,124
Provision for credit losses	1,095	165	82	—	1,342
Non-interest expense	2,253	1,002	427	97	3,779
Income (loss) from continuing operations before income taxes	1,221	708	205	(131)	2,003
Income tax provision (benefit)	283	165	48	(109)	387
Income (loss) from continuing operations, net of tax	\$ 938	\$ 543	\$ 157	\$ (22)	\$ 1,616

(Dollars in millions, except as noted)

	2019		2018	2019 Q2 vs.	
	Q2	Q1	Q2	2019 Q1	2018 Q2
Earnings:					
Net interest income	\$ 3,531	\$ 3,590	\$ 3,396	(2)%	4%
Non-interest income	1,038	950	884	9	17
Total net revenue	4,569	4,540	4,280	1	7
Provision for credit losses	1,095	1,389	1,171	(21)	(6)
Non-interest expense	2,253	2,171	1,904	4	18
Pre-tax income	1,221	980	1,205	25	1
Selected performance metrics:					
Period-end loans held for investment	\$ 112,141	\$ 109,836	\$ 109,777	2%	2%
Average loans held for investment	110,798	111,456	107,893	(1)	3
Total net revenue margin	16.50%	16.29%	15.87%	21bps	63bps
Net charge-off rate	4.76	4.90	4.67	(14)	9
Purchase volume	\$ 106,903	\$ 93,197	\$ 97,392	15%	10%

Second Quarter 2019 Highlights

- Ending loans up \$2.4 billion, or 2%, year-over-year; average loans up \$2.9 billion, or 3%, year-over-year
- Purchase volume up 10% year-over-year
- Revenue up \$289 million, or 7%, year-over-year
- Revenue margin of 16.50%
- Non-interest expense up \$349 million, or 18%, year-over-year
- Provision for credit losses down \$76 million year-over-year
- Net charge-off rate of 4.76%

Domestic Card



(Dollars in millions, except as noted)

				2019 Q2 vs.	
	2019 Q2	2019 Q1	2018 Q2	2019 Q1	2018 Q2
Earnings:					
Net interest income	\$ 3,220	\$ 3,273	\$ 3,108	(2)%	4%
Non-interest income	971	873	818	11	19
Total net revenue	4,191	4,146	3,926	1	7
Provision for credit losses	1,024	1,291	1,094	(21)	(6)
Non-interest expense	2,034	1,949	1,683	4	21
Pre-tax income	1,133	906	1,149	25	(1)
Selected performance metrics:					
Period-end loans held for investment	\$ 102,959	\$ 101,052	\$ 100,714	2%	2%
Average loans held for investment	101,930	102,667	98,895	(1)	3
Total net revenue margin	16.45%	16.15%	15.88%	30bps	57bps
Net charge-off rate	4.86	5.04	4.72	(18)	14
30+ day delinquency rate	3.40	3.72	3.32	(32)	8
Purchase volume	\$ 98,052	\$ 85,738	\$ 88,941	14%	10%

Second Quarter 2019 Highlights

- Ending loans up \$2.2 billion, or 2%, year-over-year; average loans up \$3.0 billion, or 3%, year-over-year
- Purchase volume up 10% year-over-year
- Revenue up \$265 million, or 7%, year-over-year
- Revenue margin of 16.45%
- Non-interest expense up \$351 million, or 21%, year-over-year
- Provision for credit losses down \$70 million year-over-year
- Net charge-off rate of 4.86%
- Impacts from the sale of partnership receivables on second quarter 2019 results and metrics:
 - Gain on sale: \$49 million
 - Benefit to provision for credit losses: \$68 million
 - Period-end loans held for investment reduced by \$1.0 billion

(Dollars in millions, except as noted)

	2019		2018	2019 Q2 vs.	
	Q2	Q1	Q2	2019 Q1	2018 Q2
Earnings:					
Net interest income	\$ 1,709	\$ 1,679	\$ 1,609	2%	6%
Non-interest income	166	160	175	4	(5)
Total net revenue	1,875	1,839	1,784	2	5
Provision for credit losses	165	235	118	(30)	40
Non-interest expense	1,002	994	963	1	4
Pre-tax income	708	610	703	16	1
Selected performance metrics:					
Period-end loans held for investment	\$ 60,327	\$ 59,248	\$ 58,727	2%	3%
Average loans held for investment	59,858	59,065	66,480	1	(10)
Auto loan originations	7,327	6,222	6,994	18	5
Period-end deposits	205,220	205,439	194,962	—	5
Average deposits	204,164	201,072	193,278	2	6
Average deposits interest rate	1.26%	1.18%	0.88%	8bps	38bps
Net charge-off rate	1.15	1.49	1.19	(34)	(4)

Second Quarter 2019 Highlights

- Ending loans up \$1.6 billion, or 3%, year-over-year; average loans down \$6.6 billion, or 10%, year-over-year due to the home loan portfolio sale in 2018
- Ending deposits up \$10.3 billion, or 5%, year-over-year
- Revenue up \$91 million, or 5%, year-over-year
- Non-interest expense up \$39 million, or 4%, year-over-year
- Provision for credit losses up \$47 million year-over-year
- Net charge-off rate of 1.15%

			2019 Q2 vs.		
	2019 Q2	2019 Q1	2018 Q2	2019 Q1	2018 Q2
<i>(Dollars in millions, except as noted)</i>					
Earnings:					
Net interest income	\$ 514	\$ 489	\$ 517	5%	(1)%
Non-interest income	200	187	209	7	(4)
Total net revenue ⁽¹⁾	714	676	726	6	(2)
Provision for credit losses	82	69	34	19	141
Non-interest expense	427	417	409	2	4
Pre-tax income	205	190	283	8	(28)
Selected performance metrics:					
Period-end loans held for investment	\$ 71,992	\$ 71,189	\$ 67,609	1%	6%
Average loans held for investment	71,997	71,438	66,364	1	8
Period-end deposits	30,761	31,248	31,078	(2)	(1)
Average deposits	31,364	30,816	32,951	2	(5)
Average deposits interest rate	1.28%	1.11%	0.65%	17bps	63bps
Net charge-off rate	0.09	0.08	(0.04)	1	13
Risk category as a percentage of period-end loans held for investment:⁽²⁾					
Criticized performing	3.1%	2.9%	3.1%	20bps	—bps
Criticized nonperforming	0.5	0.5	0.3	—	20

Second Quarter 2019 Highlights

- Ending loans up \$4.4 billion, or 6%, year-over-year; average loans up \$5.6 billion, or 8%, year-over-year
- Ending deposits down \$317 million, or 1%, year-over-year; average deposits down \$1.6 billion, or 5%, year-over-year
- Revenue down \$12 million, or 2%, year-over-year
- Non-interest expense up \$18 million, or 4%, year-over-year
- Provision for credit losses up \$48 million year-over-year
- Net charge-off rate of 0.09%
- Criticized performing loan rate of 3.1% and criticized nonperforming loan rate of 0.5%

⁽¹⁾ In the first quarter of 2019, we made a change in how revenue is measured by revising the allocation of tax benefits on certain tax-advantaged investments. As such, prior period results have been recast to conform with the current period presentation, which reduced previously reported total net revenue by \$32 million in Q2 2018, with an offsetting increase in the Other category.

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

Appendix

Non-GAAP Measures



	Three Months Ended June 30, 2019			Three Months Ended March 31, 2019			Six Months Ended June 30, 2019		
	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results
<i>(Dollars in millions, except per share data and as noted)</i>									
Selected income statement data:									
Net interest income	\$ 5,746	—	\$ 5,746	\$ 5,791	—	\$ 5,791	\$ 11,537	—	\$ 11,537
Non-interest income	1,378	\$ 1	1,379	1,292	—	1,292	2,670	\$ 1	2,671
Total net revenue	7,124	1	7,125	7,083	—	7,083	14,207	1	14,208
Provision for credit losses	1,342	—	1,342	1,693	—	1,693	3,035	—	3,035
Non-interest expense	3,779	(81)	3,698	3,671	\$ (25)	3,646	7,450	(106)	7,344
Income from continuing operations before income taxes	2,003	82	2,085	1,719	25	1,744	3,722	107	3,829
Income tax provision (benefit)	387	19	406	309	6	315	696	25	721
Income from continuing operations, net of tax	1,616	63	1,679	1,410	19	1,429	3,026	82	3,108
Income (loss) from discontinued operations, net of tax	9	—	9	2	—	2	11	—	11
Net income	1,625	63	1,688	1,412	19	1,431	3,037	82	3,119
Dividends and undistributed earnings allocated to participating securities(10)	(12)	(1)	(13)	(12)	—	(12)	(24)	(1)	(25)
Preferred stock dividends	(80)	—	(80)	(52)	—	(52)	(132)	—	(132)
Net income available to common stockholders	\$ 1,533	\$ 62	\$ 1,595	\$ 1,348	\$ 19	\$ 1,367	\$ 2,881	\$ 81	\$ 2,962
Selected performance metrics:									
Diluted EPS ⁽²⁾	\$ 3.24	\$ 0.13	\$ 3.37	\$ 2.86	\$ 0.04	\$ 2.90	\$ 6.10	\$ 0.17	\$ 6.27
Efficiency ratio	53.05%	(115)bps	51.90%	51.83%	(35)bps	51.48%	52.44%	(75)bps	51.69%
Operating efficiency ratio	45.38	(114)	44.24	44.53	(35)	44.18	44.96	(75)	44.21

Non-GAAP Measures



	Three Months Ended June 30, 2018			Three Months Ended March 31, 2018			Six Months Ended June 30, 2018		
	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results	Reported Results	Adj. ⁽¹⁾	Adjusted Results
<i>(Dollars in millions, except per share data and as noted)</i>									
Selected income statement data:									
Net interest income	\$ 5,551	\$ 26	\$ 5,577	\$ 5,718	—	\$ 5,718	\$ 11,269	\$ 26	\$ 11,295
Non-interest income	1,641	(361)	1,280	1,191	\$ 2	1,193	2,832	(359)	2,473
Total net revenue	7,192	(335)	6,857	6,909	2	6,911	14,101	(333)	13,768
Provision for credit losses	1,276	46	1,322	1,674	—	1,674	2,950	46	2,996
Non-interest expense	3,424	(45)	3,379	3,573	(17)	3,556	6,997	(62)	6,935
Income from continuing operations before income taxes	2,492	(336)	2,156	1,662	19	1,681	4,154	(317)	3,837
Income tax provision (benefit)	575	(92)	483	319	4	323	894	(88)	806
Income from continuing operations, net of tax	1,917	(244)	1,673	1,343	15	1,358	3,260	(229)	3,031
Income (loss) from discontinued operations, net of tax	(11)	—	(11)	3	—	3	(8)	—	(8)
Net income	1,906	(244)	1,662	1,346	15	1,361	3,252	(229)	3,023
Dividends and undistributed earnings allocated to participating securities ⁽¹⁰⁾	(12)	2	(10)	(10)	—	(10)	(23)	2	(21)
Preferred stock dividends	(80)	—	(80)	(52)	—	(52)	(132)	—	(132)
Net income available to common stockholders	\$ 1,814	\$ (242)	\$ 1,572	\$ 1,284	\$ 15	\$ 1,299	\$ 3,097	\$ (227)	\$ 2,870
Selected performance metrics:									
Diluted EPS ⁽²⁾	\$ 3.71	\$ (0.49)	\$ 3.22	\$ 2.62	\$ 0.03	\$ 2.65	\$ 6.33	\$ (0.47)	\$ 5.86
Efficiency ratio	47.61%	167bps	49.28%	51.72%	(27)bps	51.45%	49.62%	75bps	50.37%
Operating efficiency ratio	41.70	138	43.08	45.72	(26)	45.46	43.67	61	44.28

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

⁽¹⁾ Adjustments for the following periods consist of:

	2019		2019		Six Months Ended		2018		2018		Six Months Ended	
	Q2		Q1		June 30, 2019		Q2		Q1		June 30, 2018	
<i>(Dollars in millions)</i>												
Walmart launch and related integration expenses	\$	54	\$	25	\$	79	—	—	—	—	—	—
Net gains on the sales of exited businesses		—		—		—	\$	(400)		—	\$	(400)
U.K. Payment Protection Insurance customer refund reserve build (“U.K. PPI Reserve ³⁾)		—		—		—		49		—		49
Restructuring charges		28		—		28	15	\$	19			34
Total		82		25		107	(336)		19			(317)
Income tax provision (benefit)		19		6		25	(92)		4			(88)
Net income	\$	63	\$	19	\$	82	\$	(244)	\$	15	\$	(229)

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