



Third Quarter 2012 Results

October 18, 2012

Forward-Looking Statements

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To the extent that any such information is forward-looking, it is intended to fit within the safe harbor for forward-looking information provided by the Private Securities Litigation Reform Act of 1995. Numerous factors could cause Capital One's actual results to differ materially from those described in such forward-looking statements, including, among other things: general economic and business conditions in the U.S., the U.K., Canada and Capital One's local markets, including conditions affecting employment levels, interest rates, consumer income 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); financial, legal, regulatory, tax or accounting changes or actions, including the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder and regulations governing bank capital and liquidity standards, including Basel-related initiatives; the possibility that Capital One may not fully realize the projected cost savings and other projected benefits of the Transactions; difficulties and delays in integrating the assets and businesses acquired in the Transactions; business disruption following the Transactions; diversion of management time on issues related to the Transactions, including integration of the assets and businesses acquired; reputational risks and the reaction of customers and counterparties to the Transactions; disruptions relating to the Transactions negatively impacting Capital One's ability to maintain relationships with customers, employees and suppliers; changes in asset quality and credit risk as a result of the Transactions; the accuracy of estimates and assumptions Capital One uses to determine the fair value of assets acquired and liabilities assumed in the Transactions, and the potential for its estimates or assumptions to change as additional information becomes available and Capital One completes the accounting analysis of the Transactions; developments, changes or actions relating to any litigation matter involving Capital One; the inability to sustain revenue and earnings growth; increases or decreases in interest rates; Capital One's ability to access the capital markets at attractive rates and terms to capitalize and fund its operations and future growth; the success of Capital One's marketing efforts in attracting and retaining customers; increases or decreases in Capital One's aggregate loan balances or the number of customers and the growth rate and composition thereof, including increases or decreases resulting from factors such as shifting product mix, amount of actual marketing expenses Capital One incurs and attrition of loan balances; the level of future repurchase or indemnification requests Capital One may receive, the actual future performance of mortgage loans relating to such requests, the success rates of claimants against it, any developments in litigation and the actual recoveries Capital One may make on any collateral relating to claims against it; the amount and rate of deposit growth; changes in the reputation of or expectations regarding the financial services industry or Capital One with respect to practices, products or financial condition; any significant disruption in Capital One's operations or technology platform; Capital One's ability to maintain a compliance infrastructure suitable for the nature of its business; Capital One's ability to control costs; the amount of, and rate of growth in, its expenses as its business develops or changes or as it expands into new market areas; Capital One's ability to execute on its strategic and operational plans; any significant disruption of, or loss of public confidence in, the United States Mail service affecting Capital One's response rates and consumer payments; Capital One's ability to recruit and retain experienced personnel to assist in the management and operations of new products and services; changes in the labor and employment markets; fraud or misconduct by Capital One's customers, employees or business partners; competition from providers of products and services that compete with Capital One's businesses; and other risk factors set forth from time to time in reports that Capital One files with the Securities and Exchange Commission, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 2011.

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 most recent Current Report on Form 8-K filed October 18, 2012, available on its website at www.capitalone.com under "Investors."

Third quarter net income was \$1.18B, or \$2.01 per common share, including a full quarter of acquisitions and reduced credit impacts

- **Continued strong results evident in all three business segments**
- **Relatively less impact from acquisition-related credit accounting**
 - HSBC-related allowance build of \$0.1B in Q3 vs. \$1.2B in Q2
 - Other credit accounting impacts partially offsetting
 - Principal losses absorbed by HSBC mark of \$176MM in Q3 vs. \$251MM in Q2
 - Deal-related non-principal reserve build of \$17MM in Q3 vs. \$173MM in Q2
- **Ongoing impact from acquisition-related accounting on Q3'12 pre-provision earnings; will decline gradually**
 - Premium amortization of both deals of \$133MM decreased revenue
 - PCCR amortization of \$127MM included in operating expenses
 - Amortization on other intangibles and other assets related to acquisitions of \$42MM included in operating expenses

Third quarter results reflect continued solid business performance

	Q3'12	Q2'12 ¹	Q1'12 ²
\$MM			
Net interest income	4,646	4,001	3,414
Non-interest income	<u>1,136</u>	<u>1,054</u>	<u>1,521</u>
Total net revenue	5,782	5,055	4,935
Marketing	316	334	321
Operating expense	<u>2,729</u>	<u>2,808</u>	<u>2,183</u>
Non-interest expense	3,045	3,142	2,504
Pre-provision earnings	(A) 2,737	1,913	2,431
Net charge-offs	887	738	780
Allowance build/(release)	156	938	(190)
Other	<u>(29)</u>	<u>1</u>	<u>(17)</u>
Provision for credit losses	(B) 1,014	1,677	573
Pretax income from continuing operations	1,723	236	1,858
Income tax provision	<u>535</u>	<u>43</u>	<u>353</u>
Operating earnings, net of tax	1,188	193	1,505
Discontinued operations, net of tax	<u>(10)</u>	<u>(100)</u>	<u>(102)</u>
Net income	1,178	93	1,403
Net income avail to common stockholders	1,173	92	1,396
Diluted earnings per common share	\$2.01	\$0.16	\$2.72
Wtd avg common shares outstanding	584.1	582.8	513.1

Q3 vs. Q2 highlights

A. Increase in pre-provision earnings driven largely by full quarter of HSBC, lower charges on legal and regulatory matters and unique items

B. Lower provision driven largely by significantly lower HSBC allowance build

1 HSBC closed on 5/1/2012; includes partial quarter impacts of acquisition

2 ING Direct closed on 2/17/2012; includes partial quarter impacts of acquisition and bargain purchase gain of \$594MM recognized in non-interest income October 18, 2012

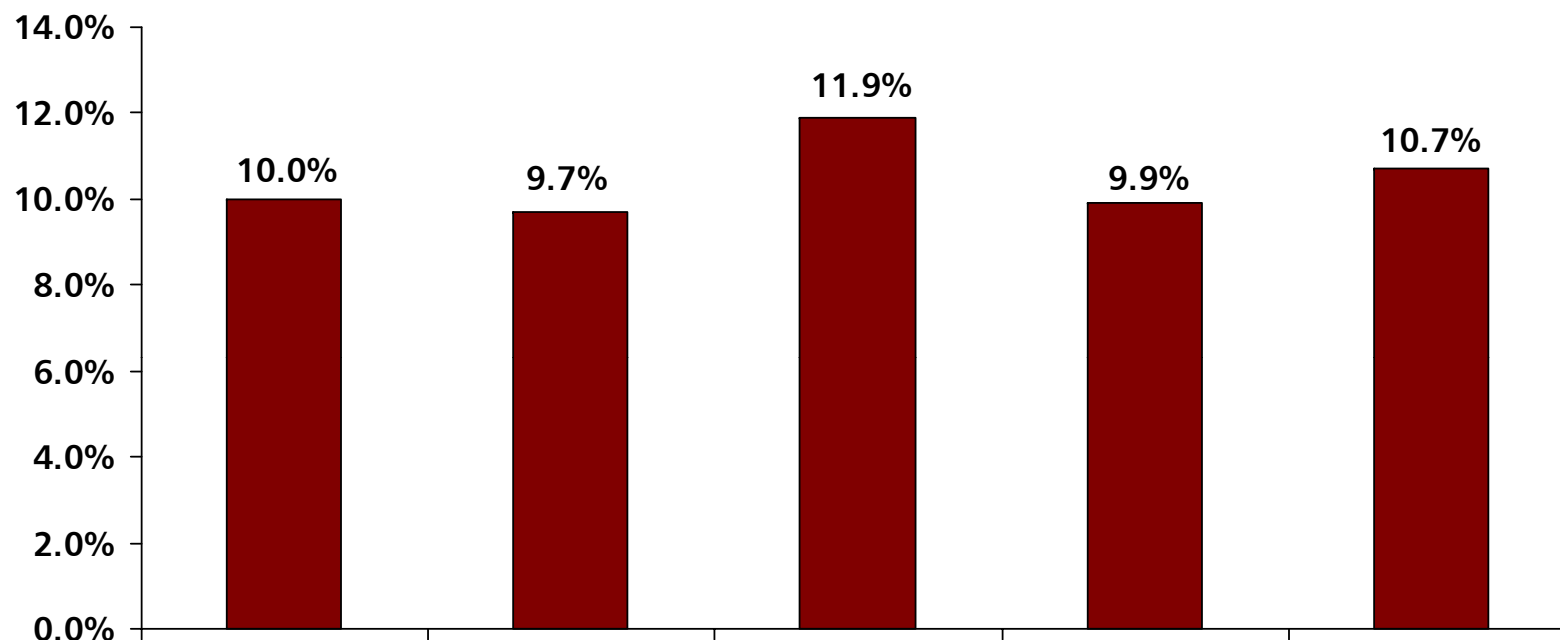
The impact of acquisitions on NIM has largely played through

Average Balances & Margin Highlights

<i>(Dollars in millions)</i>	Q3'12		Q2'12		Q1'12		Q4'11	
	<u>Average Balance</u>	<u>Yield/Rate</u>	<u>Average Balance</u>	<u>Yield/Rate</u>	<u>Average Balance</u>	<u>Yield/Rate</u>	<u>Average Balance</u>	<u>Yield/Rate</u>
Interest-earning assets:								
Loans held for investment	\$ 202,856	9.66 %	\$ 192,632	8.84 %	\$ 152,900	9.56 %	\$ 131,581	10.46 %
Investment securities	57,928	2.31	56,972	2.35	50,543	2.36	39,005	2.50
Cash equivalents and other	<u>6,019</u>	<u>1.20</u>	<u>15,415</u>	<u>0.67</u>	<u>16,803</u>	<u>0.62</u>	<u>5,685</u>	<u>1.20</u>
Total interest-earning assets	\$ 266,803	7.88 %	\$ 265,019	6.97 %	\$ 220,246	7.23 %	\$ 176,271	8.40 %
Interest-bearing liabilities:								
Total interest-bearing deposits	\$ 193,700	0.77 %	\$ 195,597	0.76 %	\$ 151,625	0.82 %	\$ 109,914	0.96 %
Securitized debt obligations	13,331	1.92	14,948	1.85	16,185	1.98	16,780	1.91
Senior and subordinated notes	11,035	3.08	11,213	3.10	10,268	3.43	10,237	3.48
Other borrowings	<u>12,085</u>	<u>2.91</u>	<u>9,257</u>	<u>3.72</u>	<u>9,541</u>	<u>3.61</u>	<u>7,794</u>	<u>4.41</u>
Total interest-bearing liabilities	\$ 230,151	1.06 %	\$ 231,015	1.06 %	\$ 187,619	1.20 %	\$ 144,725	1.43 %
Impact of non-interest bearing funding		0.15 %		0.13 %		0.17 %		0.25 %
Net interest margin		6.97 %		6.04 %		6.20 %		7.22 %

Our capacity to generate capital is strong

Tier 1 Common Ratio (Basel I)¹



(\$B)	Q3'11	Q4'11	Q1'12	Q2'12	Q3'12
Tier 1 common capital excluding disallowed DTA	15.1	15.6	22.6	22.3	23.5
Disallowed DTA	(0.2)	(0.5)	(0.9)	(0.8)	(0.2)
Tier 1 common capital	14.9	15.1	21.7	21.5	23.3
RWA	149	156	183	216	218
EOP Loans	130	136	174	203	203

¹ Tier 1 common ratio is a regulatory capital measure calculated based on Tier 1 common capital divided by risk-weighted assets. See "Exhibit 99.2—Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures" for the calculation of this ratio.

We expect to meet an assumed Basel III capital target of 8% in 2013

- **We expect the Basel II rules will apply to us no earlier than January of 2016 but are assumed to be fully implemented in our Basel III estimates**
 - We expect to trigger Basel II status at the end of 2012
 - We will enter parallel run in 2015
- **Our Q3'12 estimated Basel III equivalent for Tier 1 common ratio is in the high 7% range¹**
 - Includes preliminary analysis of RWA (denominator) impacts of Basel II, and capital (numerator) impacts of Basel II and Basel III
 - Is adjusted for scheduled amortization of PCCR and capital punitive securities by 2016
- **We expect to be above an assumed target of 8% (Basel III Tier 1 common ratio) in 2013²**

1 Estimated based on our current interpretation, expectations and understanding of the Basel III capital rules and other capital regulations proposed by U.S. regulators and the application of such rules to our businesses as currently conducted. Basel III calculations are necessarily subject to change based on, among other things, the scope and terms of the final rules and regulations, model calibration and other implementation guidance, changes in our businesses and certain actions of management, including those affecting the composition of our balance sheet. We believe this ratio provides useful information to investors and others by measuring our progress against expected future regulatory capital standards.

2 Our assumed 8% Basel III Tier 1 common ratio target assumes a SIFI buffer of 50 bps and a further buffer of 50 bps. Actual target will depend on regulatory expectations and business judgments. See Note 1 above for more information on Basel III calculations.

Our businesses continue to deliver solid results

Domestic Card

- Ending loans declined by 0.2% in the quarter
 - Excluding expected HSBC and IL run-off, card grew 0.4%, in line with normal seasonal patterns
- Purchase volumes grew 9.1%¹ year-over-year
- Net revenue margin of 17.1%
- Charge-offs were 3.04%
 - Charge-offs suppressed by 89bps from purchase accounting
 - Seasonally low quarter for charge-offs

Consumer Banking

- Modest decline in ending loan balances
 - \$2.0B expected run-off of Home Loans
 - \$1.2B growth in Auto loans
- Revenue increased by 5% quarter-over-quarter
 - Valuation of retained mortgage interests
 - Growth in average Auto loans
- Charge-offs were 0.83%, up 35bps quarter-over-quarter, consistent with normal Auto seasonality

Commercial Banking

- Steady growth continued with ending loans up 3% in the quarter and 15% year-over-year
- Revenue was up 2% in the quarter and 11% year-over-year
- Charge-offs for the quarter were zero, as recoveries offset charge-offs

¹ Reported purchase volume growth of 40.6% year-over-year, including the impact of the HSBC acquisition

Despite strong underlying growth, we expect significant run-off will drive declining average loan balances in 2013

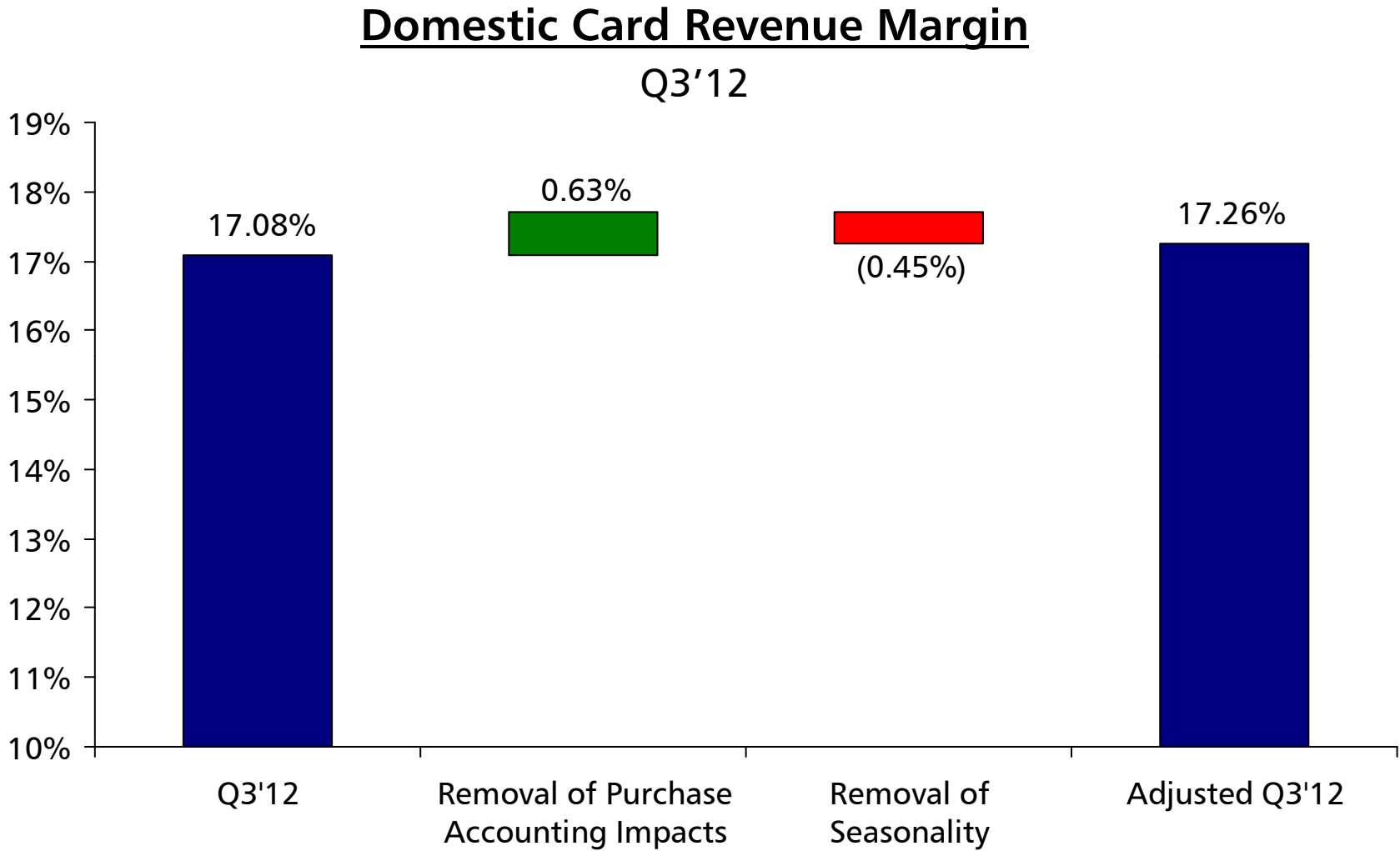
Portfolio Run-off (expected 2013 run-off, ending loan balances)

- Consumer Banking (~\$9 billion)
 - Home Loans inherited in acquisitions
- Domestic Card (~\$2 billion)
 - High-margin, high-loss portions of HSBC U.S. credit card portfolio
 - Small amount of remaining run-off of installment loans
- Commercial Banking (~\$140 million)
 - Small Ticket CRE inherited in acquisitions

Underlying Growth

- Solid growth where we're investing to grow:
 - Parts of Domestic Card
 - Auto Finance
 - Commercial Banking
- Risks
 - Continued weak consumer demand
 - Increased competitive intensity
 - Uncertain economic, regulatory, and rate environment
- Increasing divergence between ending and average loan balances

Third quarter Domestic Card revenue margin is seasonally high



We expect Domestic Card revenue margin to decline from Q3 levels

Estimated Quarterly Revenue Margin Impacts

(cumulative basis point impact from Q3'12)

	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13
Franchise Enhancements <i>Align HSBC practices, payment protection runoff, other</i>	(10)	(30)	(40)	(40)	(50)
Mix Shift / Runoff <i>Higher yielding HSBC branded book assets running off</i>	(1)	(5)	(9)	(12)	(15)
Other Factors <i>Competitive, credit, and interest rate environment</i>	?	?	?	?	?

Expected 2013 trends for non-interest expense items are emerging in the second half of 2012

Operating Expense			
Integration and Purchase Accounting	Synergies	Investments	Marketing
<ul style="list-style-type: none">Integration costs and purchase accounting impacts in 2013 similar to Q3'12 levels	<ul style="list-style-type: none">Majority of expected synergies already reflected in Q3'12 operating expense	<ul style="list-style-type: none">Infrastructure and customer investments in 2013 similar to Q3'12 levelsOperating expense investments to drive Auto and Commercial loan growth similar to Q3'12 levels	<ul style="list-style-type: none">2013 marketing expense of approximately \$1.5B

We remain focused on delivering sustained shareholder value

**Sure-footed
Integrations**

**Solid Business Results
in a Challenging
Environment**

**Strong Returns and
Capital Generation**

