



## **Third Quarter 2016 Results**

**October 25, 2016**

# 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 October 25, 2016, available on its website at [www.capitalone.com](http://www.capitalone.com) under "Investors."

# Financial Summary—Business Segment Results



<i>(Dollars in millions) (unaudited)</i>	Three Months Ended September 30, 2016				
	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Net interest income	\$ 3,204	\$ 1,472	\$ 555	\$ 46	\$ 5,277
Non-interest income	825	201	156	2	1,184
<b>Total net revenue</b>	<b>4,029</b>	<b>1,673</b>	<b>711</b>	<b>48</b>	<b>6,461</b>
Provision (benefit) for credit losses	1,272	256	61	(1)	1,588
Non-interest expense	1,884	1,034	349	94	3,361
Income (loss) from continuing operations before income taxes	<b>873</b>	<b>383</b>	<b>301</b>	<b>(45)</b>	<b>1,512</b>
Income tax provision (benefit)	318	139	110	(71)	496
Income (loss) from continuing operations, net of tax	<b>\$ 555</b>	<b>\$ 244</b>	<b>\$ 191</b>	<b>\$ 26</b>	<b>\$ 1,016</b>

	2016 Q3 vs.				
	2016	2016	2015	2016	2015
<i>(Dollars in millions) (unaudited)</i>	Q3	Q2	Q3	Q2	Q3
<b>Earnings:</b>					
Net interest income	\$ 2,956	\$ 2,769	\$ 2,613	7%	13%
Non-interest income	759	792	814	(4)	(7)
Total net revenue	<b>3,715</b>	<b>3,561</b>	<b>3,427</b>	4	8
Provision (benefit) for credit losses	1,190	1,164	796	2	49
Non-interest expense	1,696	1,669	1,630	2	4
Pre-tax income	<b>829</b>	<b>728</b>	<b>1,001</b>	14	(17)
<b>Selected performance metrics:</b>					
Period-end loans held for investment	\$ 90,955	\$ 88,581	\$ 82,178	3	11
Average loans held for investment	89,763	85,981	80,402	4	12
Total net revenue margin	16.55%	16.57%	17.05%	(2)bps	(50)bps
Net charge-off rate	3.74	4.07	3.08	(33)	66
Purchase volume	\$ 71,331	\$ 71,050	\$ 63,777	—	12%

## Third Quarter 2016 Highlights

- Ending loan balance up \$8.8 billion, or 11%, year-over-year; average loan balance up \$9.4 billion, or 12%, year-over-year.
- Purchase volume up 12% year-over-year.
- Revenue up \$288 million, or 8%, year-over-year.
- Revenue margin of 16.55%.
- Non-interest expense up \$66 million, or 4%, year-over-year.
- Provision for credit losses up \$394 million year-over-year.
- Net charge-off rate up 66 basis points year-over-year to 3.74%.

(Dollars in millions) (unaudited)	2016		2015	2016 Q3 vs.	
	Q3	Q2	Q3	2016 Q2	2015 Q3
<b>Earnings:</b>					
Net interest income	\$ 1,472	\$ 1,439	\$ 1,443	2%	2%
Non-interest income	201	175	174	15	16
Total net revenue	<b>1,673</b>	<b>1,614</b>	<b>1,617</b>	4	3
Provision (benefit) for credit losses	256	204	188	25	36
Non-interest expense	1,034	1,006	1,001	3	3
Pre-tax income	<b>383</b>	<b>404</b>	<b>428</b>	(5)	(11)
<b>Selected performance metrics:</b>					
Period-end loans held for investment	\$ 72,285	\$ 71,415	\$ 70,990	1	2
Average loans held for investment	71,727	70,988	71,097	1	1
Auto loan originations	6,804	6,529	5,590	4	22
Period-end deposits	178,793	176,340	170,866	1	5
Average deposits	177,402	176,808	170,816	—	4
Average deposit interest rate	0.56%	0.55%	0.56%	1bps	—
Net charge-off rate	1.26	0.83	1.14	43	12bps

## Third Quarter 2016 Highlights

- Ending loan balance up \$1.3 billion, or 2%, year-over-year; average loan balance up \$630 million, or 1%, year-over-year.
- Ending deposits of \$178.8 billion, up 5%, year-over-year
- Auto loan originations up \$1.2 billion, or 22%, year-over-year.
- Revenue up \$56 million, or 3%, year-over-year.
- Provision for credit losses up \$68 million, or 36%, year-over-year.
- Non-interest expense up \$33 million, or 3%, year-over-year.

	2016 Q3 vs.				
	2016 Q3	2016 Q2	2015 Q3	2016 Q2	2015 Q3
<i>(Dollars in millions) (unaudited)</i>					
<b>Earnings:</b>					
Net interest income	\$ 555	\$ 559	\$ 454	(1)%	22%
Non-interest income	156	129	108	21	44
Total net revenue	<b>711</b>	<b>688</b>	<b>562</b>	3	27
Provision (benefit) for credit losses	61	128	75	(52)	(19)
Non-interest expense	349	343	272	2	28
Pre-tax income	<b>301</b>	<b>217</b>	<b>215</b>	39	40
<b>Selected performance metrics:</b>					
Period-end loans held for investment	\$ 66,457	\$ 66,202	\$ 52,112	—	28
Average loans held for investment	66,034	64,938	51,592	2	28
Period-end deposits	33,611	34,281	32,751	(2)	3
Average deposits	33,498	33,764	32,806	(1)	2
Average deposit interest rate	0.30%	0.27%	0.25%	3bps	5bps
Net charge-off rate	0.66	0.37	0.26	29	40
<b>Risk category as a percentage of period-end loans held for investment:<sup>(1)</sup></b>					
Criticized performing	3.7%	3.7%	3.3%	—	40bps
Criticized nonperforming	1.5	1.6	0.9	(10)	60

## Third Quarter 2016 Highlights

- Ending loans up \$14.3 billion, or 28%, year-over-year, including the loans from the GE Healthcare acquisition.
- Average loans up \$14.4 billion, or 28%, year-over-year; average deposits up \$692 million, or 2%, year-over-year.
- Revenue up \$149 million, or 27%, year-over-year.
- Non-interest expense up \$77 million, or 28%, year-over-year.
- Provision for credit losses down \$14 million year-over-year.
- Net charge-off rate up 40 basis points year-over-year to 0.66%.
- Criticized performing loan rate of 3.7% and criticized nonperforming loan rate of 1.5%.

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

# Company Highlights

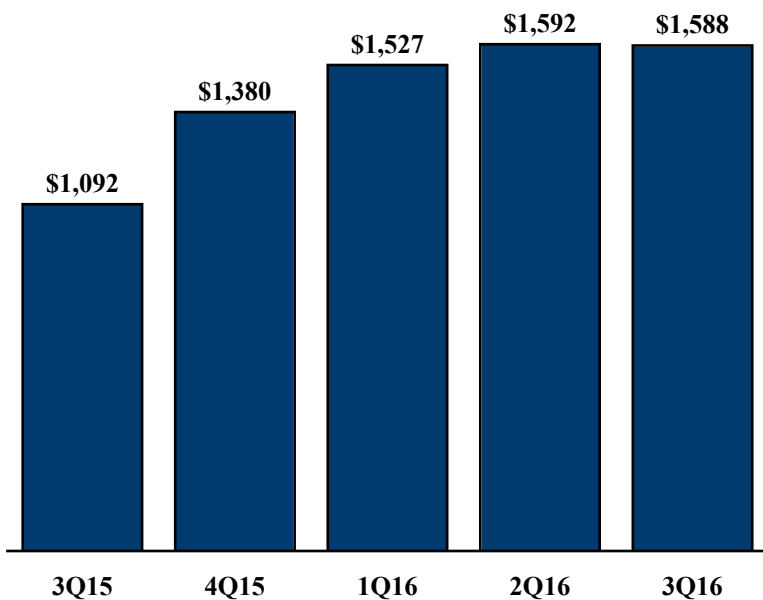


- Net income for the third quarter of 2016 of \$1.0 billion, or \$1.90 per diluted common share.
  - We recorded a build in the U.K. Payment Protection Insurance customer refund reserve (“U.K. PPI Reserve”) of \$63 million in third quarter of 2016. Excluding this adjusting item, net income for the third quarter of 2016 was \$1.1 billion, or \$2.03 per share.<sup>(1)</sup>
- Pre-provision earnings increased 5% to \$3.1 billion.
- Provision for credit losses flat at \$1.6 billion.
- Efficiency ratio of 52.02%.
  - Excluding the adjusting item mentioned above, our efficiency ratio was 51.40%.<sup>(1)</sup>
- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 10.6% at September 30, 2016.
- Period-end loans held for investment in the quarter increased \$3.4 billion, or 1%, to \$238.0 billion.
- Average loans held for investment in the quarter increased \$5.5 billion, or 2%, to \$235.8 billion.
- Period-end total deposits increased \$4.9 billion, or 2%, to \$226.0 billion, while average deposits increased \$1.1 billion, or less than 1%, to \$222.3 billion.

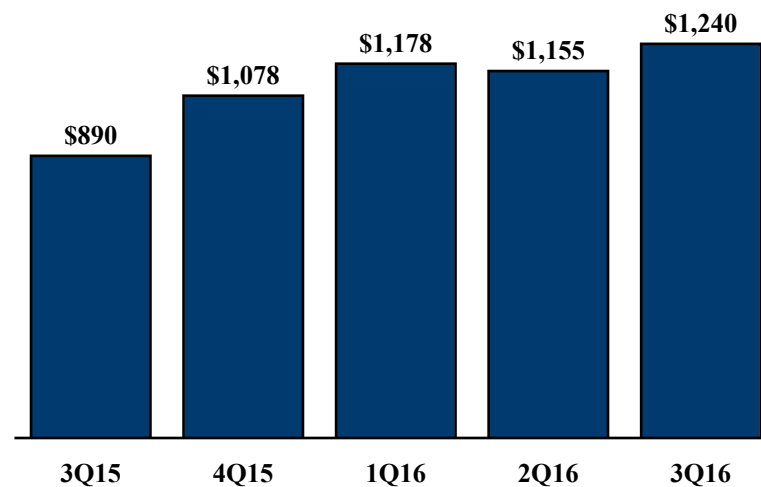
Note: All comparisons are for the third quarter of 2016 compared with the second quarter of 2016 unless otherwise noted.

<sup>(1)</sup> Amounts presented excluding the adjusting item are non-GAAP measures. See Appendix for the reconciliation of these non-GAAP measures to our reported results.

## Provision



## Net Charge-Offs



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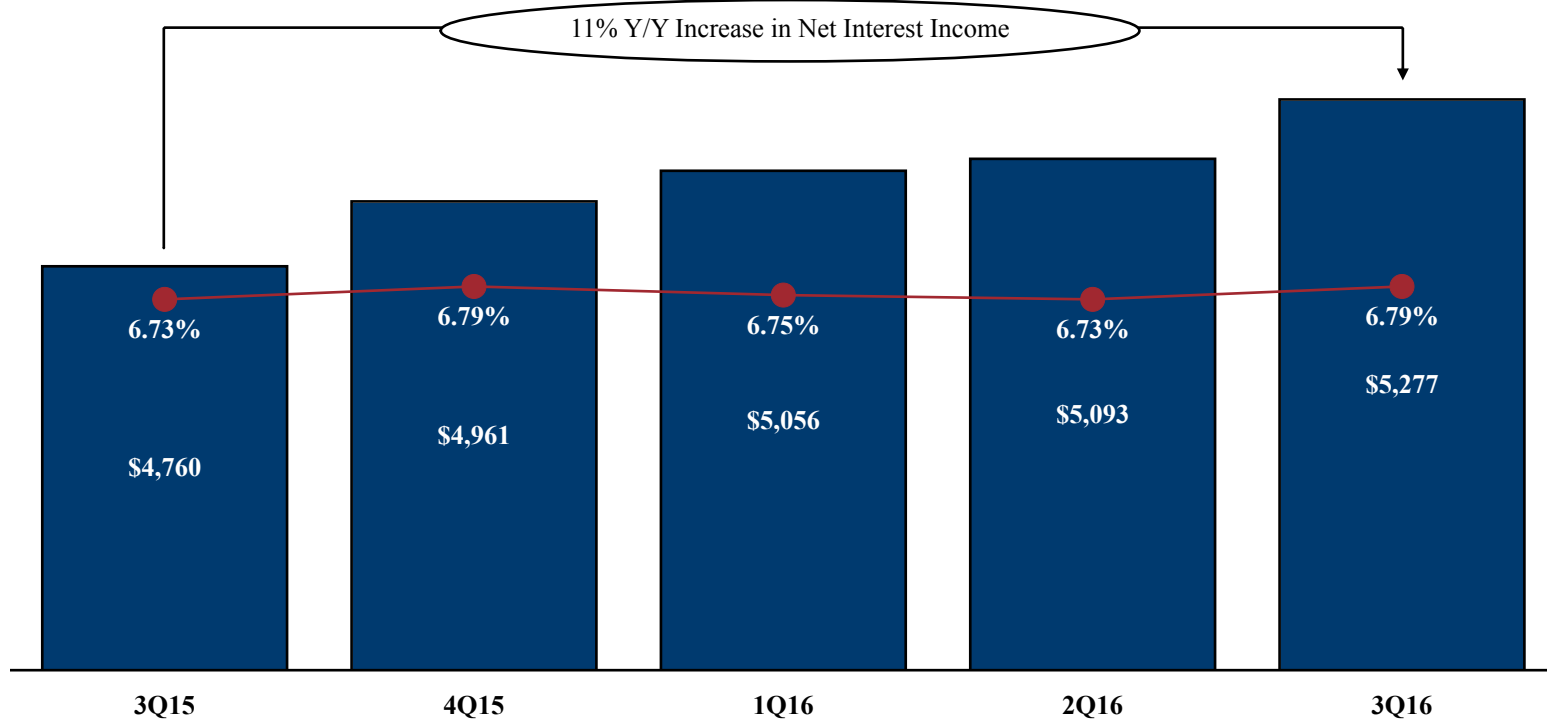
### Third Quarter 2016 Highlights

- Net charge-off rate of 2.10%.
- Allowance increased to \$6.3 billion.
- Allowance as a percentage of loans held for investment of 2.63%.



# Net Interest Income and Net Interest Margin

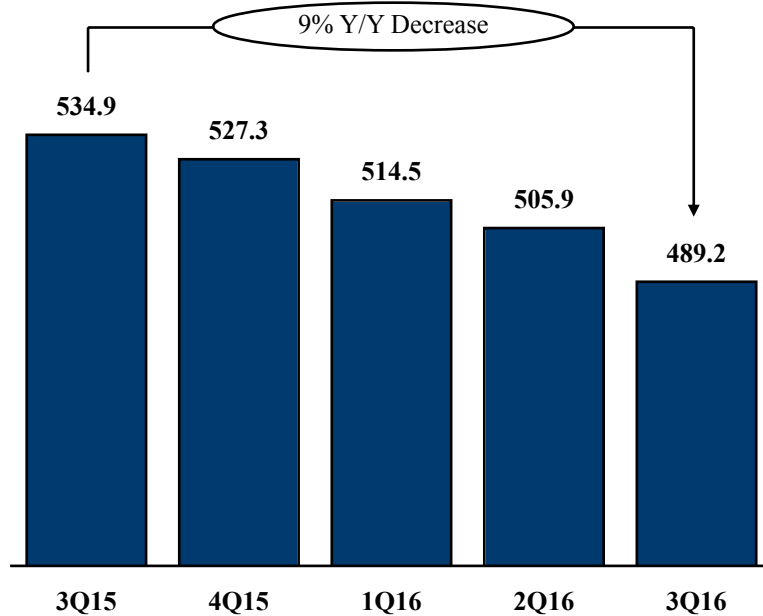
Net Interest Income (\$M) and Net Interest Margin (%)



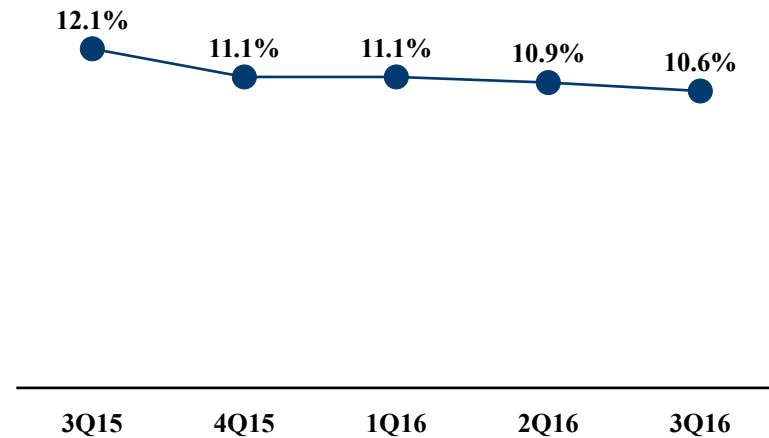
## Third Quarter 2016 Highlights

- Net interest margin increased 6 basis points quarter-over-quarter primarily driven by day count.
- Net interest margin increased 6 basis points year-over-year primarily driven by strong growth in our Domestic Card business.

### Ending Common Shares Outstanding (M)



### Common Equity Tier 1 Capital Ratio (%)



## Third Quarter 2016 Highlights

- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 10.6% at September 30, 2016.
- Reduced net common shares outstanding by 17 million shares in the third quarter of 2016.
- We exceeded the fully phased-in LCR requirement at September 30, 2016.<sup>(1)</sup>

Note: Regulatory capital metrics and capital ratios as of September 30, 2016 are preliminary and therefore subject to change.

<sup>(1)</sup> Based on our current interpretations, expectations and assumptions of the relevant regulations.

# Appendix

# Select 2016 Results Excluding Adjustments



	2016 Q3			2016 Q2			Nine Months Ended September 30, 2016		
	Reported Results	Adjustments <sup>(1)</sup>	Adjusted Results	Reported Results	Adjustments <sup>(1)</sup>	Adjusted Results	Reported Results	Adjustments <sup>(1)</sup>	Adjusted Results
<i>(Dollars in millions, except per share data and as noted) (unaudited)</i>									
<b>Selected income statement data:</b>									
Net interest income	\$ 5,277	\$ 34	\$ 5,311	\$ 5,093	\$ 7	\$ 5,100	\$ 15,426	\$ 41	\$ 15,467
Non-interest income	1,184	13	1,197	1,161	8	1,169	3,509	21	3,530
Total net revenue	6,461	47	6,508	6,254	15	6,269	18,935	62	18,997
Provision for credit losses	1,588	—	1,588	1,592	—	1,592	4,707	—	4,707
Non-interest expense	3,361	(16)	3,345	3,295	(15)	3,280	9,879	(31)	9,848
Income from continuing operations before income taxes	1,512	63	1,575	1,367	30	1,397	4,349	93	4,442
Income tax provision (benefit)	496	—	496	424	(7)	417	1,372	(7)	1,365
Income from continuing operations, net of tax	1,016	63	1,079	943	37	980	2,977	100	3,077
Income (loss) from discontinued operations, net of tax	(11)	—	(11)	(1)	—	(1)	(17)	—	(17)
Net income	1,005	63	1,068	942	37	979	2,960	100	3,060
Net income available to common stockholders	962	63	1,025	871	37	908	2,803	100	2,903
<b>Selected performance metrics:</b>									
Diluted EPS	\$ 1.90	\$ 0.13	\$ 2.03	\$ 1.69	\$ 0.07	\$ 1.76	\$ 5.42	\$ 0.20	\$ 5.62
Net interest margin	6.79%	4bps	6.83%	6.73%	1bps	6.74%	6.76%	1bps	6.77%
Efficiency ratio	52.02	(62)	51.40	52.69	(37)	52.32	52.17	(33)	51.84
Average yield on loans held for investment - Credit Card	14.68	14	14.82	14.49	3	14.52	14.59	6	14.65
Average yield on loans held for investment - International Card	14.36	163	15.99	15.45	33	15.78	15.41	66	16.07
Total net revenue margin - Credit Card	16.44	19	16.63	16.55	6	16.61	16.56	8	16.64
Total net revenue margin - International Card	15.24	226	17.50	16.32	73	17.05	16.45	101	17.46

Note: The adjusted results presented in this slide are non-GAAP measures that we believe help investors and users of our financial information understand the effect of the adjustments on our reported results. The table above presents a reconciliation of our reported results to these non-GAAP measures for the periods indicated.

<sup>(1)</sup> In Q3 2016, we recorded a build in the U.K. Payment Protection Insurance customer refund reserve (“U.K. PPI Reserve”) of \$63 million. In Q2 2016, we recorded charges totaling \$30 million associated with a build of \$54 million in the U.K. PPI Reserve, partially offset by a gain of \$24 million 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.

# Credit Score Distribution



<i>(Percentage of portfolio)</i>	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
<b>Domestic credit card—Refreshed FICO scores:<sup>(1)</sup></b>					
Greater than 660	64%	65%	65%	66%	66%
660 or below	36	35	35	34	34
Total	100%	100%	100%	100%	100%
<b>Auto—At origination FICO scores:<sup>(2)</sup></b>					
Greater than 660	51%	51%	51%	51%	50%
621 - 660	17	17	17	17	17
620 or below	32	32	32	32	33
Total	100%	100%	100%	100%	100%

<sup>(1)</sup> 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.

<sup>(2)</sup> Credit scores generally represent average FICO scores obtained from three credit bureaus at the time of application and are not refreshed thereafter. Balances for which no credit score is available or the credit score is invalid are included in the 620 or below category.

# Commercial Oil and Gas Portfolio



	2016 Q3	2016 Q2	2015 Q3	2015 Q2
<i>(Dollars in millions) (unaudited)</i>				
<b>Commercial oil and gas portfolio:</b>				
Loans held for investment: <sup>(1)</sup>				
Exploration and production	\$ 1,524	\$ 1,600	\$ 1,677	\$ 1,795
Oilfield services	705	862	1,047	1,239
Midstream and other	415	527	450	375
Total loans held for investment	2,644	2,989	3,174	3,409
Unfunded exposure:				
Exploration and production	1,604	1,629	2,256	2,201
Oilfield services	452	421	589	771
Midstream and other	713	611	620	657
Total unfunded exposure	2,769	2,661	3,465	3,629
Total commercial oil and gas portfolio maximum credit exposure	\$ 5,413	\$ 5,650	\$ 6,639	\$ 7,038
<b>Selected performance metrics:</b>				
Allowance for loan and lease losses	\$ 243	\$ 265	\$ 142	\$ 114
Allowance as a percentage of loans held for investment	9.18%	8.87%	4.48%	3.34%
Total reserves <sup>(2)</sup>	\$ 275	\$ 310	\$ 184	\$ 139
Loans as a percentage of total commercial loans held for investment	3.98%	4.51%	6.09%	6.65%
Loans as a percentage of total company loans held for investment	1.11	1.27	1.49	1.63
Criticized performing loan rate	29.51	33.05	18.56	16.28
Nonperforming loan rate	20.80	18.63	6.39	5.90

<sup>(1)</sup> Loans held for investment represents unpaid principal balance less charge-offs.

<sup>(2)</sup> Total reserves represent the allowance for loan and lease losses and the reserve for unfunded lending commitments recorded in other liabilities.

# Commercial Taxi Medallion Lending Portfolio



*(Dollars in millions) (unaudited)*

	2016 Q3	2016 Q2	2015 Q3	2015 Q2
<b>Commercial taxi medallion lending portfolio:</b>				
Total loans held for investment <sup>(1)</sup>	\$ 773	\$ 854	\$ 918	\$ 959
<b>Selected performance metrics:</b>				
Allowance for loan and lease losses	\$ 111	\$ 128	\$ 54	\$ 37
Allowance as a percentage of loans held for investment	14.32%	15.04%	5.93%	3.86%
Loans as a percentage of total commercial loans held for investment	1.16	1.29	1.76	1.87
Loans as a percentage of total company loans held for investment	0.32	0.36	0.43	0.46
Criticized performing loan rate	41.32	36.05	30.24	41.51
Nonperforming loan rate	38.81	37.85	16.32	13.88

<sup>(1)</sup> Total loans held for investment represents unpaid principal balance less charge-offs and reflects our maximum credit exposure for this portfolio.