2019 Annual Stress Test Disclosure

Dodd-Frank Act Company-Run Stress Test Results
Severely Adverse Scenario

October 24, 2019

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Overview and Forward Looking Statements

Section 165 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) requires that certain bank holding companies, including Capital One Financial Corporation (“Capital One”), conduct a stress test twice per year to assess the potential impact of certain scenarios on the consolidated earnings, losses, and capital of each bank holding company (“BHC”), taking into account its current condition, risks, exposures, strategies and activities. The Dodd-Frank Act also requires that Capital One disclose a summary of the stress test results under the Severely Adverse Scenario. Capital One’s Severely Adverse Scenario represents a hypothetical economic situation which includes assumptions of economic worsening that are at least as severe as the economic conditions experienced in the 2008 recession. The summary of Capital One’s results must include estimates of the aggregated impact of the stressed economic scenario on certain financial metrics over the nine-quarter planning horizon. Capital One must provide estimates of its regulatory capital ratios under the Basel III Standardized Approach framework. For additional information regarding the Dodd-Frank Act and U.S. capital rules and their impact on Capital One, see “Part I—Item 1. Business—Supervision and Regulation” of our Annual Report on Form 10-K for the year ended December 31, 2018.

Certain statements and estimates contained here-in may be forward-looking, including those that discuss, among other things: loss projections, revenues, income, capital measures, accruals for litigation and other claims against Capital One, future financial and operating results, Capital One’s plans, objectives, expectations and intentions, and the assumptions that underlie these matters. Capital One cautions readers that the results in the summary below are not forecasts, predictions of future performance, or measures of its solvency; actual results could differ materially from those contained in this summary. In addition, these results do not represent Capital One’s current expectations regarding future results of operations or financial condition. They are based on hypothetical scenarios and other assumptions used for the sole purpose of conducting the required stress tests, and Capital One makes no assurances or predictions about the likelihood of any of these scenarios or assumptions actually occurring. Capital One does not undertake any obligation to update or revise any of the information contained herein whether as a result of new information, future events, or otherwise.

The stress test results below are expected to differ from the stress test results produced by the Federal Reserve in its annual Comprehensive Capital Analysis and Review (“CCAR”) process due to differences in methodologies and assumptions used to produce the results.

2019 Dodd-Frank Act Stress Test ("DFAST"): Severely Adverse scenario summary

- Capital One's Severely Adverse scenario assumes significant deterioration in economic conditions from current levels, resulting in large reductions in employment, home prices, and gross domestic product, among other factors. Under this scenario, the U.S. is assumed to fall into a severe consumer-led recession
- In addition to the adverse economic assumptions reflected in the Severely Adverse Scenario, we incorporate the impact of elevated levels of operational losses and other, idiosyncratic risks in our projections

Key economic variables impacting Capital One in the Severely Adverse scenario

- **Unemployment Rate:** increases to the end of the stress horizon (third quarter of 2021) by approximately six percentage points to a peak of 9.9%
- **Case-Shiller 20 Home Price Index:** declines approximately 18% from the beginning level of the stress test to a stress horizon low point in the third quarter of 2020
- **Commercial Real Estate Price Index:** declines approximately 24% from the beginning level of the stress test to a stress horizon low point in the second quarter of 2020
- **Interest Rates:** 3-month Treasury rate drops from 2.1% in the second quarter of 2019 to 0.5% in the third quarter of 2019 where it stays for the rest of the forecast horizon; 10-year Treasury yield gradually drops from 2.2% in the second quarter of 2019 to 0.0% by the fourth quarter of 2020 before increasing to 0.2% by the end of the stress test horizon (third quarter of 2021)

Description of methodologies used for forecasting losses under stress

Component	Forecast Methodology
PPNR	• We model Pre-Provision Net Revenue (“PPNR”) based on the expected performance of our various businesses to estimate the impact that the Severely Adverse Scenario would have on our overall financial performance • The projected impacts are based on the characteristics of each asset and liability class and the related support costs for new originations, ongoing management, and the required underlying infrastructure for each business • Our revenue modeling is divided into net interest income and non-interest income, and our non-interest expense modeling is split between operating and marketing expenses
Credit	• For our credit card and auto portfolios, we project stressed losses using account-level econometric models, which incorporate Metropolitan Statistical Area (“MSA”) level variables • In our commercial portfolios, most of our loss modeling estimates the impact of this stress scenario at the borrower level, capturing the effects of varying loan characteristics and collateral positions, among other factors • In select portfolios, we use more aggregated economic forecasting approaches that incorporate the specific macro-drivers relevant to each portfolio, including customer and relationship-level attributes • Once credit has been modeled, we translate our overall credit outlook into projected allowance for loan and lease loss levels for each quarter
RWA	• The three main factors impacting our loan balance projections are: (i) the impact to existing loan balances from higher charge-offs; (ii) the impact to growth in loan balances due to changes in demand; and (iii) the impact to loan growth that results from fewer lending opportunities meeting our profitability and resilience requirements (as our models and underwriting scorecards systematically incorporate leading credit indicators to reflect the worsening credit conditions in the financial projections used in underwriting)
AOCI	• The Severely Adverse scenario stressed the valuation of credit sensitive instruments held at fair value on the balance sheet. This impact plays through by decreasing the value of the securities in our investment portfolio which is marked and deducted from our equity position (in the form of AOCI)
Capital	• The largest impact to our capital ratios comes from changes in credit performance and the corresponding impact to our disallowed deferred tax asset (“DTA”) position • Capital actions are presented using ‘DFAST rules’ as required by the Federal Reserve

Projected Results in the Severely Adverse scenario (DFAST rules)
Capital and Risk-Weighted Assets

Capital One Financial Corp. ("COFC")

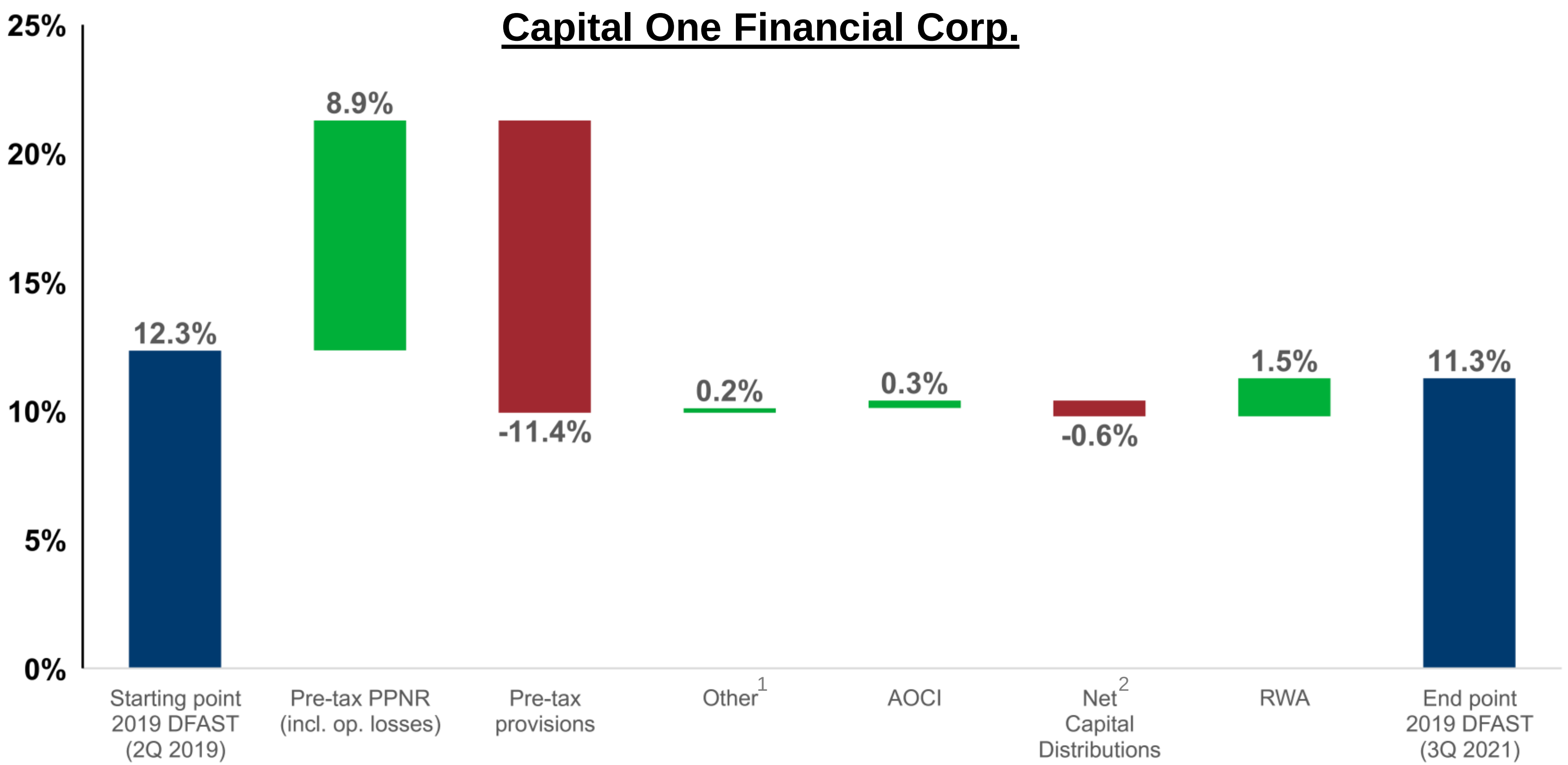
Capital One internal modeling of projected stressed capital ratios (Q3 2019 – Q3 2021)				
	Actual Q2 2019	2019 DFAST regulatory minimum	Stressed Capital Ratios[1]	
			Q3 2021	Minimum
Common equity tier 1 ("CET1") capital ratio (%)	12.3%	4.5%	11.3%	8.7%
Tier 1 risk-based capital ratio (%)	13.8%	6.0%	13.5%	10.8%
Total risk-based capital ratio (%)	16.2%	8.0%	15.8%	13.3%
Tier 1 leverage ratio (%)	11.4%	4.0%	10.8%	8.8%
Supplementary leverage ratio (%)	9.7%	3.0%	9.2%	7.5%

1 The capital ratios are calculated using capital action assumptions provided within the DFAST rules. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The capital ratios presented represent the minimum and the end of period ratios for the nine quarter forecast horizon from Q3 2019 to Q3 2021.

Capital One internal modeling of projected Q3 2021 risk-weighted assets		
	Actual Q2 2019	Projected Q3 2021
Risk-weighted assets (billions of dollars)[1]	295.3	256.2

1 Risk-weighted assets are calculated under the Basel III Standardized Approach.

Projected Results in the Severely Adverse scenario (DFAST rules)
Change in Common Equity Tier 1 Ratio



	Starting point	Pre-tax PPNR	Pre-tax provisions	Other	AOCI	Net Capital Distributions	RWA	End point
CET1 ($B)	36.4	26.4	(33.5)	0.5	0.9	(1.9)		28.9
RWA ($B)	295.3						(39.1)	256.2

Note: Numbers may not sum due to rounding

[1] Represents other items including realized gains/(losses) on securities available for sale, income taxes, goodwill (net of DTL), intangible assets (net of DTL), and disallowed DTA.
[2] Reflects DFAST Capital Actions.

Projected Results in the Severely Adverse scenario (DFAST rules)
Profit and Losses

Capital One Financial Corp.

Capital One internal modeling of cumulative projected revenue, losses, and net income before taxes (Q3 2019 – Q3 2021)		
	Billions of dollars	**Percent of average assets[1]**
Pre-provision net revenue[2]	$26.4	7.4%
Other revenue[3]	-	
less		
Provisions	33.5	
Realized losses/(gains) on securities available for sale	0.0	
Trading and counterparty losses[4]	-	
Other losses/(gains)	-	
Net income before taxes	**$(7.2)**	**(2.0%)**
Supplementary Information		
Other comprehensive income[5]	1.3	-
Other effects on capital	Actual 2Q 2019	Q3 2021
AOCI included in capital calculations	$(0.2)	$0.7

[1] Expressed on a nine-quarter cumulative basis as a percentage of average assets over the same time period.
[2] Pre-provision net revenue includes stress adjustments for operational risk events, and expenses including mortgage representation and warranty and real estate held for sale. The DFAST Severely Adverse scenario includes heightened levels of idiosyncratic and operational risks that are not included in the CCAR Supervisory Severely Adverse Scenario results that were disclosed on June 21, 2019.
[3] Other revenue includes one-time income and expense items not included in pre-provision net revenue.
[4] Trading and counterparty losses include mark-to-market losses, changes in credit valuation adjustments ("CVA") and incremental default losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.
[5] As an Advanced Approaches BHC under the current capital framework as of June 30, 2019, accumulated other comprehensive income ("AOCI") is included in calculations of regulatory capital. Other comprehensive income includes incremental unrealized losses/gains on available for sale securities.

Projected Results in the Severely Adverse scenario (DFAST rules)
Credit Losses

Capital One Financial Corp.

Capital One internal modeling of projected credit losses by loan portfolio type[1] (Q3 2019 – Q3 2021)		
	Billions of dollars	**Percentage of Average Portfolio Balances[2]**
Loan Losses:		
First lien mortgages, domestic	$0.0	5.7%
Junior liens and HELOCs, domestic	0.0	5.5
Commercial and industrial[3]	2.2	6.6
Commercial real estate, domestic	0.8	3.0
Credit cards	21.4	19.7
Other consumer[4]	4.9	9.4
Other Loans	0.2	1.0
Total loan losses	**$29.5**	**12.3%**

[1] Reflects loan classification under regulatory reporting FR Y-9C - Consolidated Financial Statements for Holding Companies ("FR Y-9C"). This classification is different than how Capital One classifies loan product types for Securities and Exchange Commission ("SEC") reporting purposes. For example, FR Y-9C requires that small business credit card loans be reported under commercial and industrial, whereas these loans are reported as credit card loans for SEC reporting purposes.
[2] Average loan balances used to calculate portfolio loss rates exclude loans held for sale and are calculated over nine quarters.
[3] Includes small business credit card loans, small and medium enterprise loans and corporate cards.
[4] Includes auto loans.

Projected Results in the Severely Adverse scenario (DFAST rules)
End of Period Loans

Capital One Financial Corp.

Capital One internal modeling of projected loan portfolio balances[1]		
	Actual Q2 2019	**Projected Q3 2021**
End of Period Loans:		
First lien mortgages, domestic	$0.2	$0.2
Junior liens and HELOCs, domestic	0.1	0.1
Commercial and industrial[2]	36.3	28.7
Commercial real estate, domestic	28.5	23.3
Credit cards	103.0	100.0
Other consumer[3]	57.7	47.2
Other Loans	18.9	14.5
Total Loans	**$244.6B**	**$214.0B**

[1] Loan balances exclude loans held for sale.
[2] Includes small business credit card loans, small and medium enterprise loans and corporate cards.
[3] Includes auto loans.