CAPITAL ONE FINANCIAL CORP
Form 10-Q
November 02, 2015

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015
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 ý 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 ý 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	ý	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 ý
As of October 30, 2015, there were 532,045,252 shares of the registrant’s Common Stock, par value $.01 per share, outstanding.

TABLE OF CONTENTS

		Page
PART I—FINANCIAL INFORMATION		1
Item 1.	Financial Statements	61
	Consolidated Statements of Income	62
	Consolidated Statements of Comprehensive Income	63
	Consolidated Balance Sheets	64
	Consolidated Statements of Changes in Stockholders' Equity	65
	Consolidated Statements of Cash Flows	66
	Notes to Consolidated Financial Statements	67
	Note 1—Summary of Significant Accounting Policies	67
	Note 2—Discontinued Operations	68
	Note 3—Investment Securities	69
	Note 4—Loans	77
	Note 5—Allowance for Loan and Lease Losses	93
	Note 6—Variable Interest Entities and Securitizations	96
	Note 7—Goodwill and Intangible Assets	101
	Note 8—Deposits and Borrowings	102
	Note 9—Derivative Instruments and Hedging Activities	105
	Note 10—Stockholders' Equity	110
	Note 11—Earnings Per Common Share	114
	Note 12—Fair Value Measurement	115
	Note 13—Business Segments	125
	Note 14—Commitments, Contingencies, Guarantees and Others	128
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")	1
	Introduction	1
	Summary of Selected Financial Data	2
	Executive Summary and Business Outlook	4
	Critical Accounting Policies and Estimates	7
	Accounting Changes and Developments	7
	Consolidated Results of Operations	7
	Business Segment Financial Performance	13
	Consolidated Balance Sheets Analysis	23
	Off-Balance Sheet Arrangements and Variable Interest Entities	27
	Capital Management	27
	Risk Management	32
	Credit Risk Profile	32
	Liquidity Risk Profile	44
	Market Risk Profile	48
	Supervision and Regulation	51
	Forward-Looking Statements	51
	Supplemental Tables	53
	Glossary and Acronyms	55

Item 3.	Quantitative and Qualitative Disclosures About Market Risk	135
Item 4.	Controls and Procedures	135
PART II—OTHER INFORMATION		136
Item 1.	Legal Proceedings	136
Item 1A.	Risk Factors	136
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	136
Item 3.	Defaults Upon Senior Securities	136
Item 4.	Mine Safety Disclosures	136
Item 5.	Other Information	136
Item 6.	Exhibits	136
SIGNATURES		137
EXHIBIT INDEX		138

INDEX OF MD&A AND SUPPLEMENTAL TABLES

MD&A Tables:		Page
1	Consolidated Financial Highlights (Unaudited)	2
2	Business Segment Results	5
3	Average Balances, Net Interest Income and Net Interest Margin	8
4	Rate/Volume Analysis of Net Interest Income	10
5	Non-Interest Income	10
6	Non-Interest Expense	12
7	Credit Card Business Results	13
7.1	Domestic Card Business Results	15
7.2	International Card Business Results	17
8	Consumer Banking Business Results	18
9	Commercial Banking Business Results	20
10	Other Category Results	22
11	Investment Securities	24
12	Non-Agency Investment Securities Credit Ratings	24
13	Loans Held for Investment	25
14	Changes in Representation and Warranty Reserve	26
15	Capital Ratios	28
16	Estimated Common Equity Tier 1 Ratio under Fully Phased-In Basel III Standardized Approach	29
17	Loan Portfolio Composition	32
18	Commercial Loans by Industry	33
19	Home Loans - Risk Profile by Lien Priority	34
20	Sensitivity Analysis - Acquired Loans - Home Loan Portfolio	35
21	Credit Score Distribution	35
22	30+ Day Delinquencies	36
23	Aging and Geography of 30+ Day Delinquent Loans	37
24	90+ Day Delinquent Loans Accruing Interest	38
25	Nonperforming Loans and Other Nonperforming Assets	38
26	Net Charge-Offs	40
27	Loan Modifications and Restructurings	41
28	Allowance for Loan and Lease Losses Activity	43
29	Allocation of the Allowance for Loan and Lease Losses	44
30	Liquidity Reserves	45
31	Deposit Composition and Average Deposit Rates	46
32	Contractual Maturity Profile of Outstanding Debt	47
33	Senior Unsecured Debt Credit Ratings	48
34	Interest Rate Sensitivity Analysis	50

Supplemental Table:		
A	Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures	53

Table of Contents

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 "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 2014 Annual Report on Form 10-K ("2014 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 September 30, 2015 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 2014 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 September 30, 2015, 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 "Glossary and Acronyms" section 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 (including salaries and associate benefits, occupancy and equipment costs, professional services, communication and data processing expenses and other miscellaneous 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 and 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.

1	Capital One Financial Corporation (COF)

Table of Contents

Recent Acquisitions and Dispositions

We regularly explore and evaluate opportunities to acquire financial services companies 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 assets, branches, partnership agreements or lines of business. We may issue equity or debt in connection with acquisitions, including public offerings, to fund such acquisitions. We did not have any significant acquisitions or dispositions in 2014 or the first nine months of 2015.

On August 11, 2015, we announced the signing of a definitive agreement with General Electric Capital Corporation (“GE”) to acquire approximately $8.5 billion of healthcare-related loans and its Healthcare Financial Services business. We expect to complete the acquisition in the fourth quarter of 2015, subject to customary closing conditions.

SUMMARY OF SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data from our results of operations for the third quarter and first nine months of 2015 and 2014, and selected comparative balance sheet data as of September 30, 2015 and December 31, 2014. We also provide selected key metrics we use in evaluating our performance. Certain prior period amounts have been recast to conform to the current period presentation.

Table 1: Consolidated Financial Highlights (Unaudited)[1]

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions, except per share data and as noted)	2015	2014	Change	2015	2014	Change
Income statement						
Net interest income	$4,760	$4,497	6%	$13,873	$13,162	5%
Non-interest income	1,140	1,142	—	3,346	3,315	1
Total net revenue	5,900	5,639	5	17,219	16,477	5
Provision for credit losses	1,092	993	10	3,156	2,432	30
Non-interest expense:						
Marketing	418	392	7	1,180	1,052	12
Amortization of intangibles	106	130	(18)	327	409	(20)
Operating expenses	2,636	2,463	7	8,009	7,435	8
Total non-interest expense	3,160	2,985	6	9,516	8,896	7
Income from continuing operations before income taxes	1,648	1,661	(1)	4,547	5,149	(12)
Income tax provision	530	536	(1)	1,443	1,696	(15)
Income from continuing operations, net of tax	1,118	1,125	(1)	3,104	3,453	(10)
(Loss) income from discontinued operations, net of tax	(4)	(44)	(91)	26	(24)	**
Net income	1,114	1,081	3	3,130	3,429	(9)
Dividends and undistributed earnings allocated to participating securities	(6)	(5)	20	(16)	(14)	14
Preferred stock dividends	(29)	(20)	45	(90)	(46)	96
Net income available to common stockholders	$1,079	$1,056	2	$3,024	$3,369	(10)
Common share statistics						
Basic earnings per common share:						
Net income from continuing operations	$2.01	$1.97	2%	$5.49	$5.99	(8)%
(Loss) income from discontinued operations	(0.01)	(0.08)	(88)	0.05	(0.04)	**
Net income per basic common share	$2.00	$1.89	6	$5.54	$5.95	(7)
Diluted earnings per common share:						
Net income from continuing operations	$1.99	$1.94	3	$5.43	$5.90	(8)
(Loss) income from discontinued operations	(0.01)	(0.08)	(88)	0.05	(0.04)	**
Net income per diluted common share	$1.98	$1.86	6	$5.48	$5.86	(6)

Weighted-average common shares outstanding (in millions):						
Basic	540.6	559.9	(3)	545.5	566.1	(4)
Diluted	546.3	567.9	(4)	551.9	575.2	(4)
Common shares outstanding (period end, in millions)	534.9	558.5	(4)	534.9	558.5	(4)
Dividends paid per common share	$0.40	$0.30	33	$1.10	$0.90	22
Tangible book value per common share (period end)	54.66	48.72	12	54.66	48.72	12

Table of Contents

(Dollars in millions, except per share data and as noted)	Three Months Ended September 30, 2015	2014	Change		Nine Months Ended September 30, 2015	2014	Change	
Balance sheet (average balances)								
Loans held for investment	$211,227	$199,422	6%		$207,608	$196,068	6%	
Interest-earning assets	283,082	268,890	5		279,388	265,065	5	
Total assets	313,822	298,913	5		310,146	295,506	5	
Interest-bearing deposits	185,800	179,928	3		184,258	181,587	1	
Total deposits	210,974	205,199	3		209,334	205,783	2	
Borrowings	45,070	40,314	12		44,264	37,332	19	
Common equity	45,407	43,489	4		44,956	42,772	5	
Total stockholders' equity	48,456	44,827	8		47,376	43,828	8	
Selected performance metrics								
Purchase volume[2]	$69,875	$57,474	22%		$195,817	$161,266	21%	
Total net revenue margin[3]	8.34%	8.39%	(5	)bps	8.22%	8.29%	(7	)bps
Net interest margin[4]	6.73	6.69	4		6.62	6.62	—	
Return on average assets	1.43	1.51	(8	)	1.33	1.56	(23	)
Return on average tangible assets[5]	1.50	1.59	(9	)	1.40	1.64	(24	)
Return on average common equity[6]	9.54	10.12	(58	)	8.89	10.58	(169	)
Return on average tangible common equity[7]	14.33	15.73	(140	)	13.46	16.66	(320	)
Equity-to-assets ratio	15.44	15.00	44		15.28	14.83	45	
Non-interest expense as a percentage of average loans held for investment[8]	5.98	5.99	(1	)	6.11	6.05	6	
Efficiency ratio[9]	53.56	52.93	63		55.26	53.99	127	
Effective income tax rate from continuing operations	32.2	32.3	(10	)	31.7	32.9	(120	)
Net charge-offs	$890	$756	18%		$2,617	$2,499	5%	
Net charge-off rate[10]	1.69%	1.52%	17	bps	1.68%	1.70%	(2	)bps
Net charge-off rate (excluding Acquired Loans)[11]	1.86	1.73	13		1.87	1.96	(9	)

(Dollars in millions, except as noted)	September 30, 2015	December 31, 2014	Change	
Balance sheet (period end)				
Loans held for investment	$ 213,329	$ 208,316	2%	
Interest-earning assets	283,073	277,849	2	
Total assets	313,700	308,167	2	
Interest-bearing deposits	187,848	180,467	4	
Total deposits	212,903	205,548	4	
Borrowings	42,778	48,457	(12	)
Common equity	44,391	43,231	3	
Total stockholders' equity	47,685	45,053	6	
Credit quality metrics (period end)				
Allowance for loan and lease losses	$ 4,847	$ 4,383	11%	
Allowance as a percentage of loans held for investment ("allowance coverage ratio")	2.27%	2.10%	17	bps
Allowance as a percentage of loans held for investment (excluding Acquired Loans)[11]	2.49	2.36	13	

30+ day performing delinquency rate	2.63	2.62	1
30+ day performing delinquency rate (excluding Acquired Loans)[11]	2.90	2.95	(5)
30+ day delinquency rate	2.95	2.91	4
30+ day delinquency rate (excluding Acquired Loans)[11]	3.25	3.28	(3)
Capital ratios			
Common equity Tier 1 capital ratio	12.1%	12.5%	(40)bps
Tier 1 risk-based capital ratio	13.4	13.2	20
Total risk-based capital ratio	15.1	15.1	—
Tier 1 leverage ratio	11.1	10.8	30
Tangible common equity ratio[12]	9.8	9.5	30
Supplementary leverage ratio[13]	9.6	N/A	**
Other			
Employees (in thousands), period end	46.9	46.0	2%

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**Change is not meaningful.

Table of Contents

(1) As of January 1, 2015, we changed our accounting principle to move from a gross basis of presentation to a net basis, for presenting qualifying derivative assets and liabilities, as well as the related right to reclaim cash collateral or obligation to return cash collateral. See "Note 1—Summary of Significant Accounting Policies" for additional information. Prior period results, excluding regulatory ratios, have been recast to conform to this presentation.

(2) Consists of 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) 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.

(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) 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 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.

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

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

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

(11) Calculation of ratio adjusted to exclude Acquired Loans. See "MD&A—Glossary and Acronyms" for the definition of Acquired Loans.

(12) The tangible common equity ("TCE") ratio is a non-GAAP measure calculated as 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 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.

EXECUTIVE SUMMARY AND BUSINESS OUTLOOK

We reported net income of $1.1 billion ($1.98 per diluted common share) on total net revenue of $5.9 billion and net income of $3.1 billion ($5.48 per diluted common share) on total net revenue of $17.2 billion for the third quarter and first nine months of 2015, respectively. In comparison, we reported net income of $1.1 billion ($1.86 per diluted common share) on total net revenue of $5.6 billion and net income of $3.4 billion ($5.86 per diluted common share) on total net revenue of $16.5 billion for the third quarter and first nine months of 2014, respectively.

Our common equity Tier 1 capital ratio, as calculated under the Basel III Standardized Approach, including transition provisions, was 12.1% and 12.5% as of September 30, 2015 and December 31, 2014, respectively. We formally entered parallel run for Basel III Advanced Approaches on January 1, 2015. See "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 (the "2015 Stock Repurchase Program"). Through the end of the third quarter of 2015, we repurchased approximately $1.3 billion of common stock as part of this program and expect to complete the 2015

Stock Repurchase Program by the end of the second quarter of 2016. See “Capital Management” below for additional information.

Below are additional highlights of our performance in the third quarter and first nine months of 2015. These highlights are generally based on a comparison between the results of the third quarter and first nine months of 2015 and 2014, 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 September 30, 2015, compared to our financial condition and credit performance as of December 31, 2014. 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 $33 million to $1.1 billion in the third quarter of 2015, compared to the third quarter of 2014, and decreased by $299 million to $3.1 billion in the first nine months of 2015, compared to the first nine months of 2014. The decrease in net income from continuing operations in the first nine months of 2015 was driven by (i) an increase in the provision for credit losses due to an allowance build in our credit card loan portfolio in 2015 as a result of continued loan growth and higher loss expectations on recent loan originations compared to an allowance release in the first nine months of 2014; and (ii) an increase in non-interest expense driven by higher operating and marketing expenses associated with loan growth, and continued technology and infrastructure investments. We recorded a build in the U.K. Payment Protection Insurance customer refund reserve (“U.K. PPI Reserve”) of $69 million in the third quarter of 2015 and $78

Table of Contents

million in the second quarter of 2015, reflecting recent U.K. regulatory developments and our updated estimate of future complaint levels. In the second quarter of 2015, we also recorded restructuring charges of $157 million for severance and related benefits pursuant to our ongoing benefit programs, which included $147 million as a result of the realignment of our workforce. These drivers were partially offset by (i) higher interest income due to growth in our credit card, auto and commercial loan portfolios, partially offset by the planned run-off of our acquired home loan portfolio; and (ii) an increase in non-interest income primarily attributable to higher net interchange fees, partially offset by lower customer-related fees primarily due to the continued run-off of our payment protection products in our Domestic Card business and the build in our U.K. PPI Reserve in our International Card business. The increase in net income from discontinued operations in the first nine months of 2015 was primarily driven by a reduction in our mortgage representation and warranty reserve in the second quarter of 2015 resulting from favorable industry legal developments.

- Loans Held for Investment: Period-end loans held for investment increased by $5.0 billion to $213.3 billion as of September 30, 2015 from December 31, 2014. Average loans held for investment increased by $11.8 billion to $211.2 billion in the third quarter of 2015, compared to the third quarter of 2014, and increased by $11.5 billion to $207.6 billion in the first nine months of 2015. The increases were primarily driven by continued loan growth in our credit card, auto and commercial loan portfolios, partially offset by the planned run-off of our acquired home loan portfolio.
- Net Charge-off and Delinquency Statistics: Our net charge-off rate increased by 17 basis points to 1.69% in the third quarter of 2015, compared to the third quarter of 2014, primarily driven by rising losses due to the seasoning of recent credit card loan originations. Our net charge-off rate decreased by 2 basis points to 1.68%, in the first nine months of 2015, compared to the first nine months of 2014, primarily due to higher average loan balances in 2015. Net charge-off rates remained low compared to our historical trends due to continued economic improvement and the seasoned nature of our overall credit card loan portfolio. Our 30+ day delinquency rate increased by 4 basis points to 2.95% as of September 30, 2015, from 2.91% as of December 31, 2014, primarily attributable to higher delinquencies due to the seasoning of recent credit card loan originations. We provide additional information on our credit quality metrics below under "Business Segment Financial Performance" and "Credit Risk Profile."
- Allowance for Loan and Lease Losses: Our allowance for loan and lease losses increased by $464 million to $4.8 billion as of September 30, 2015 from December 31, 2014. The increase in the allowance for loan and lease losses was primarily driven by continued loan growth, coupled with our expectations for rising charge-off rates in our domestic credit card portfolio, as well as adverse market conditions impacting our oil and gas portfolios and the taxi-lending component of our transportation loan portfolio within our Commercial Banking business. These factors also contributed to a higher allowance coverage ratio, which increased by 17 basis points to 2.27% as of September 30, 2015 from December 31, 2014.

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 third quarter and first nine months of 2015 and 2014. We provide information on the allocation methodologies used to derive our business segment results under "Note 19—Business Segments" in our 2014 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 September 30,							
	2015				2014			
	Total Net Revenue (Loss)(1)		Net Income(2)		Total Net Revenue (Loss)(1)		Net Income(2)	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total

Credit Card	$3,724	63%	$670	60%	$3,473	62%	$624	55%
Consumer Banking	1,617	27	273	25	1,604	28	289	26
Commercial Banking[3]	562	10	137	12	561	10	182	16
Other[4]	(3)	—	38	3	1	—	30	3
Total from continuing operations	$5,900	100%	$1,118	100%	$5,639	100%	$1,125	100%

Table of Contents

	Nine Months Ended September 30,							
	2015				2014			
	Total Net Revenue (Loss)[1]		Net Income[2]		Total Net Revenue (Loss)[1]		Net Income[2]	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Credit Card	$10,684	62 %	$1,801	58 %	$10,083	61 %	$1,960	57 %
Consumer Banking	4,849	28	830	27	4,788	29	953	28
Commercial Banking[3]	1,726	10	464	15	1,614	10	490	14
Other[4]	(40)	—	9	—	(8)	—	50	1
Total from continuing operations	$17,219	100 %	$3,104	100 %	$16,477	100 %	$3,453	100 %

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

(2) Net income for our business segments and the Other category is based on income 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 within 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 19—Business Segments” in our 2014 Form 10-K.

Credit Card: Our Credit Card business generated net income from continuing operations of $670 million and $1.8 billion in the third quarter and first nine months of 2015, respectively, compared to net income from continuing operations of $624 million and $2.0 billion in the third quarter and first nine months of 2014, respectively. The decrease in net income in the first nine months of 2015 was due to (i) higher provision for credit losses driven by an allowance build as a result of continued loan growth, coupled with our expectations for rising charge-off rates in our Domestic Card business, compared to an allowance release in the first nine months of 2014; and (ii) higher non-interest expense due to higher operating and marketing expenses associated with loan growth and a build in our U.K. PPI Reserve. These drivers were partially 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 partially offset by a decline in customer-related fees primarily due to the continued run-off of our payment protection products in our Domestic Card business and a build in our U.K. PPI Reserve. Period-end loans held for investment increased by $4.3 billion to $90.1 billion as of September 30, 2015 from December 31, 2014, primarily due to loan growth in the Domestic Card business.

Consumer Banking: Our Consumer Banking business generated net income from continuing operations of $273 million and $830 million in the third quarter and first nine months of 2015, respectively, compared to net income from continuing operations of $289 million and $953 million in the third quarter and first nine months of 2014, respectively. The decrease in net income in the first nine months of 2015 was primarily attributable to a higher provision for credit losses due to a higher allowance build and higher net charge-offs in our auto loan portfolio, as well as higher non-interest expense largely driven by increases in technology and infrastructure spending in our retail banking business and operating expenses due to growth in our auto loan portfolio. The decrease was partially offset by higher revenue generated by growth in our auto loan portfolio, which was partially offset by the planned run-off of the acquired home loan portfolio and margin compression in auto loans. Period-end loans held for investment decreased by $449 million to $71.0 billion as of September 30, 2015 from December 31, 2014, primarily due to the planned run-off of our acquired home loan portfolio, partially offset by the growth in the auto loan portfolio.

Commercial Banking: Our Commercial Banking business generated net income from continuing operations of $137 million and $464 million in the third quarter and first nine months of 2015, respectively, compared to net income from

continuing operations of $182 million and $490 million in the third quarter and first nine months of 2014, respectively. The decrease in net income in the first nine months of 2015 was primarily attributable to a higher provision for credit losses due to a larger build in both the allowance and reserve for unfunded lending commitments, and higher net charge-offs resulting from adverse market conditions impacting our oil and gas portfolios and the taxi-lending component of our transportation loan portfolio, as well as higher non-interest expense largely driven by higher operating expenses associated with continued growth in our Commercial Banking business. This was partially offset by higher net interest income driven by an increase in our average commercial loan portfolio and increased non-interest income driven by increased revenue from fee-based services and products related to our multifamily finance business. Period-end loans held for investment increased by $1.2 billion to $52.1 billion as of September 30, 2015 from December 31, 2014, driven by loan growth in the commercial and industrial and commercial and multifamily real estate loan portfolios.

Table of Contents

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 "Part I—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2014 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 "Forward-Looking Statements" in this Report for more information on forward-looking statements included in this Report and "Part I—Item 1A. Risk Factors" in our 2014 Form 10-K for factors that could materially influence our results.

Total Company Expectations

We delivered attractive risk-adjusted returns in the third quarter of 2015, highlighted by strong growth in our Domestic Card business. We continue to expect the full-year 2015 efficiency ratio to be around 55%, excluding adjusting items. We expect modest improvement in the full-year 2016 efficiency ratio. We believe we are positioned to deliver attractive shareholder returns over the long term, with growth potential and sustained returns at the higher end of banks, as well as significant capital distribution, subject to regulatory approval.

We believe our actions have created a well-positioned balance sheet with strong capital and liquidity. Pursuant to our approved 2015 capital plan, we increased our quarterly common stock dividend from $0.30 per share to $0.40 per share starting in the second quarter of 2015. We also expect to repurchase up to $3.125 billion of shares of our common stock pursuant to the 2015 Stock Repurchase Program through the second quarter of 2016. The timing and exact amount of any common stock repurchases will depend on various factors, including market conditions, opportunities for growth, and our capital position and amount of retained earnings. The 2015 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. 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 quarterly charge-off rate to be in the mid-to-high three percent range in the fourth quarter. In 2016, we expect the full-year charge-off rate to be around four percent, 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: We expect persistently low interest rates will continue to pressure returns in our deposit businesses, even if rates begin to rise in 2016. We expect this pressure, along with other headwinds, including the planned run-off in our acquired home loan portfolio and revenue margin compression in our auto business due to continuing competitive pressure and the shift toward prime loans, to have a negative impact on revenue and the efficiency ratio for the remainder of 2015 and in 2016.

Commercial Banking: Growth in our Commercial Banking business has slowed compared to prior periods because of actions we are taking in response to market conditions. While increasing competition continues to put pressure on loan terms and pricing in our commercial real estate and commercial and industrial loan portfolios, we continue to see good growth opportunities in select specialty industry verticals.

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 2014 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.

We provide additional information on our critical accounting policies and estimates under "MD&A—Critical Accounting Policies and Estimates" in our 2014 Form 10-K.

ACCOUNTING CHANGES AND DEVELOPMENTS

Accounting for Derivative Assets and Liabilities

As of January 1, 2015, we changed our accounting principle to move from a gross basis of presentation to a net basis, for presenting qualifying derivative assets and liabilities, as well as the related fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable), for instruments executed with the same counterparty where a right of setoff exists. This newly adopted policy is preferable as it more accurately reflects the Company's counterparty credit risk as well as our contractual rights and obligations under these arrangements. Further, this change will align our presentation with that of the majority of our peer institutions. We retrospectively adopted this change in accounting principle and our consolidated balance sheet has been recast for all prior periods presented. See "Note 1—Summary of Significant Accounting Policies" for additional information.

CONSOLIDATED RESULTS OF OPERATIONS

The section below provides a comparative discussion of our consolidated financial performance for the third quarter and first nine months of 2015 and 2014. Following this section, we provide a discussion of our business segment results. You should read this section together with our "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-

Table of Contents

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 third quarter and first nine months of 2015 and 2014.

Table 3: Average Balances, Net Interest Income and Net Interest Margin[1]

	Three Months Ended September 30,					
	2015			2014		
(Dollars in millions)	Average Balance	Interest Income/ Expense[2][3]	Yield/ Rate	Average Balance	Interest Income/ Expense[2][3]	Yield/ Rate
Assets:						
Interest-earning assets:						
Loans:						
Credit card:						
Domestic credit card	$80,678	$ 2,884	14.30%	$71,776	$ 2,594	14.46%
International credit card	8,048	299	14.86	7,710	317	16.45
Total credit card	88,726	3,183	14.35	79,486	2,911	14.65
Consumer banking	71,374	1,113	6.24	71,237	1,100	6.18
Commercial banking	51,879	416	3.21	49,218	417	3.39
Other	97	41	169.07	125	35	112.00
Total loans, including loans held for sale	212,076	4,753	8.96	200,066	4,463	8.92
Investment securities	63,541	386	2.43	62,582	398	2.54
Cash equivalents and other interest-earning assets	7,465	25	1.34	6,242	26	1.67
Total interest-earning assets	$283,082	$ 5,164	7.30	$268,890	$ 4,887	7.27
Cash and due from banks	2,907			2,907		
Allowance for loan and lease losses	(4,671)			(3,995)		
Premises and equipment, net	3,698			3,778		
Other assets	28,806			27,333		
Total assets	$313,822			$298,913		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Deposits	$185,800	$ 271	0.58	$179,928	$ 271	0.60
Securitized debt obligations	14,881	39	1.05	10,110	32	1.27
Senior and subordinated notes	20,806	82	1.58	17,267	71	1.64
Other borrowings and liabilities	10,114	12	0.47	12,937	16	0.49
Total interest-bearing liabilities	$231,601	$ 404	0.70	$220,242	$ 390	0.71
Non-interest bearing deposits	25,174			25,271		
Other liabilities	8,591			8,573		
Total liabilities	265,366			254,086		
Stockholders' equity	48,456			44,827		
Total liabilities and stockholders' equity	$313,822			$298,913		
Net interest income/spread		$ 4,760	6.60		$ 4,497	6.56
Impact of non-interest bearing funding			0.13			0.13
Net interest margin			6.73%			6.69 %

8	Capital One Financial Corporation (COF)

Table of Contents

(Dollars in millions)	Nine Months Ended September 30, 2015 Average Balance	Interest Income/ Expense[2][3]	Yield/ Rate	2014 Average Balance	Interest Income/ Expense[2][3]	Yield/ Rate
Assets:						
Interest-earning assets:						
Loans:						
Credit card:						
Domestic credit card	$77,235	$ 8,191	14.14%	$70,321	$ 7,491	14.20%
International credit card	7,946	876	14.70	7,674	954	16.58
Total credit card	85,181	9,067	14.19	77,995	8,445	14.44
Consumer banking	71,528	3,354	6.25	71,042	3,297	6.19
Commercial banking	51,631	1,250	3.23	47,324	1,224	3.45
Other	104	153	196.15	131	83	84.48
Total loans, including loans held for sale	208,444	13,824	8.84	196,492	13,049	8.85
Investment securities	63,500	1,174	2.47	62,411	1,223	2.61
Cash equivalents and other interest-earning assets	7,444	77	1.38	6,162	80	1.73
Total interest-earning assets	$279,388	$ 15,075	7.19	$265,065	$ 14,352	7.22
Cash and due from banks	2,928			2,853		
Allowance for loan and lease losses	(4,485)			(4,132)		
Premises and equipment, net	3,704			3,808		
Other assets	28,611			27,912		
Total assets	$310,146			$295,506		
Liabilities and stockholders’ equity:						
Interest-bearing liabilities:						
Deposits	$184,258	$ 814	0.59	$181,587	$ 819	0.60
Securitized debt obligations	13,233	108	1.09	10,419	109	1.39
Senior and subordinated notes	20,580	241	1.56	15,822	226	1.90
Other borrowings and liabilities	11,214	39	0.46	11,091	36	0.43
Total interest-bearing liabilities	$229,285	$ 1,202	0.70	$218,919	$ 1,190	0.72
Non-interest bearing deposits	25,076			24,196		
Other liabilities	8,409			8,563		
Total liabilities	262,770			251,678		
Stockholders’ equity	47,376			43,828		
Total liabilities and stockholders’ equity	$310,146			$295,506		
Net interest income/spread		$ 13,873	6.49		$ 13,162	6.50
Impact of non-interest bearing funding			0.13			0.12
Net interest margin			6.62%			6.62 %

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(1) As of January 1, 2015, we changed our accounting principle to move from a gross basis of presentation to a net basis, for presenting qualifying derivative assets and liabilities, as well as the related right to reclaim cash collateral or obligation to return cash collateral. See “Note 1—Summary of Significant Accounting Policies” for additional information. Prior period results have been recast to conform to this presentation.

(2) Past due fees included in interest income totaled approximately $373 million and $1.1 billion in the third quarter and first nine months of 2015, respectively, and $368 million and $1.1 billion in the third quarter and first nine months of 2014, respectively.

(3) 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.

Net interest income increased by $263 million to $4.8 billion in the third quarter of 2015 compared to the third quarter of 2014, and increased by $711 million to $13.9 billion in the first nine months of 2015 compared to the first nine months of 2014. These increases were primarily driven by growth in our credit card, auto and commercial loan portfolios. Net interest margin increased by 4 basis points to 6.73% in the third quarter of 2015 compared to the third quarter of 2014 and remained consistent at 6.62% in the first nine months of 2015 compared to the first nine months of 2014. The relatively consistent net interest margin reflected the shift in the mix of our overall loan portfolio to credit card loans as a result of continued loan growth in our domestic card loan

Table of Contents

portfolio and the planned run-off of the acquired home loan portfolio, as well as lower wholesale funding costs; offset by the impact of declining yields in our auto, commercial, international credit card and investment securities portfolios. The lower yield in the international credit card loan portfolio also reflected the impact from the build in the U.K. PPI Reserve in the second and third quarters of 2015.

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 September 30, 2015 vs. 2014			Nine Months Ended September 30, 2015 vs. 2014		
(Dollars in millions)	Total Variance	Volume	Rate	Total Variance	Volume	Rate
Interest income:						
Loans:						
Credit card	$272	$332	$(60)	$622	$765	$(143)
Consumer banking	13	2	11	57	23	34
Commercial banking	(1)	21	(22)	26	104	(78)
Other	6	(8)	14	70	(17)	87
Total loans, including loans held for sale	290	347	(57)	775	875	(100)
Investment securities	(12)	6	(18)	(49)	20	(69)
Cash equivalents and other interest-earning assets	(1)	4	(5)	(3)	13	(16)
Total interest income	277	357	(80)	723	908	(185)
Interest expense:						
Deposits	—	9	(9)	(5)	12	(17)
Securitized debt obligations	7	12	(5)	(1)	23	(24)
Senior and subordinated notes	11	14	(3)	15	56	(41)
Other borrowings and liabilities	(4)	(3)	(1)	3	—	3
Total interest expense	14	32	(18)	12	91	(79)
Net interest income	$263	$325	$(62)	$711	$817	$(106)

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(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.

Non-Interest Income

Non-interest income primarily consists of interchange income 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 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, which we generally do not allocate to our business segments because it relates to centralized asset/liability and market risk management activities undertaken by our Corporate Treasury group.

Table of Contents

Table 5 displays the components of non-interest income for the third quarter and first nine months of 2015 and 2014.

Table 5: Non-Interest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2015	2014	2015	2014
Service charges and other customer-related fees	$423	$471	$1,289	$1,405
Interchange fees, net	555	523	1,618	1,498
Net other-than-temporary impairment recognized in earnings	(5)	(9)	(27)	(15)
Other non-interest income:				
Benefit for mortgage representation and warranty losses[1]	7	—	15	15
Net gains from the sale of investment securities	3	6	4	18
Net fair value gains on free-standing derivatives	25	11	47	37
Other	132	140	400	357
Total other non-interest income	167	157	466	427
Total non-interest income	$1,140	$1,142	$3,346	$3,315

(1) Represents the benefit for mortgage representation and warranty losses recorded in continuing operations. For the total impact to the net benefit 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 remained relatively consistent at $1.1 billion and $3.3 billion in the third quarter and first nine months of 2015, respectively, as compared to the same periods in 2014. The main drivers for the movements include an increase in net interchange fees due to higher purchase volume in our Credit Card business offset by a decrease in customer-related fees primarily due to the continued run-off of our payment protection products in our Domestic Card business and a build in the U.K. PPI Reserve in our International Card business.

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 $1.1 billion and $3.2 billion in the third quarter and first nine months of 2015, respectively, compared to $993 million and $2.4 billion in the third quarter and first nine months of 2014, respectively. The provision for credit losses as a percentage of net interest income was 22.9% and 22.7% in the third quarter and first nine months of 2015, respectively, compared to 22.1% and 18.5% in the third quarter and first nine months of 2014, respectively.

Our provision for credit losses increased by $99 million and $724 million in the third quarter and first nine months of 2015 compared to the third quarter and first nine months of 2014, respectively. The increase in the third quarter was primarily driven by (i) higher net charge-offs due to continued loan growth in our domestic credit card portfolio; and (ii) higher net charge-offs and a larger build in both the allowance and reserve for unfunded lending commitments resulting from adverse market conditions impacting our oil and gas portfolios and the taxi-lending component of our transportation loan portfolio in our Commercial Banking business. The increase in the first nine months of 2015 was primarily attributable to an allowance build in our credit card loan portfolio in 2015 due to continued loan growth coupled with our expectations for rising charge-off rates, as compared to an allowance release in the first nine months of 2014 due to improved credit outlook and delinquency inventories; as well as the changes in our Commercial Banking business as discussed above.

We provide additional information on the provision for credit losses and changes in the allowance for loan and lease losses within “Credit Risk Profile—Summary of Allowance for Loan and Lease Losses,” “Note 4—Loans” and “Note 5—Allowance for Loan and Lease Losses.” For information on the allowance methodology for each of our loan categories, see “Note 1—Summary of Significant Accounting Policies” in our 2014 Form 10-K.

Table of Contents

Non-Interest Expense

Non-interest expense consists of ongoing operating costs, 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 third quarter and first nine months of 2015 and 2014.

Table 6: Non-Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2015	2014	2015	2014
Salaries and associate benefits	$1,189	$1,128	$3,760	$3,414
Occupancy and equipment	444	419	1,318	1,271
Marketing	418	392	1,180	1,052
Professional services	313	304	943	887
Communications and data processing	226	196	636	595
Amortization of intangibles	106	130	327	409
Other non-interest expense:				
Collections	79	90	249	287
Fraud losses	76	67	217	197
Bankcard, regulatory and other fee assessments	113	118	330	345
Other	196	141	556	439
Other non-interest expense	464	416	1,352	1,268
Total non-interest expense	$3,160	$2,985	$9,516	$8,896

Non-interest expense increased by $175 million to $3.2 billion in the third quarter of 2015 as compared to the third quarter of 2014, and increased by $620 million to $9.5 billion in the first nine months of 2015 as compared to the first nine months of 2014. The increases were primarily due to (i) higher marketing expenses in our Credit Card business and operating expenses related to growth in our credit card, auto and commercial loan portfolios; (ii) a build in the U.K. PPI Reserve and increased restructuring charges for severance and related benefits pursuant to our ongoing benefit programs; and (iii) continued technology and infrastructure investments. These increases were partially offset by a decline in the amortization of intangibles.

(Loss) Income from Discontinued Operations, Net of Tax

(Loss) income from discontinued operations reflects ongoing costs, which primarily consist of mortgage loan repurchase representation and warranty charges, related to the mortgage origination operations of our wholesale mortgage banking unit, GreenPoint Mortgage Funding, Inc. (“GreenPoint”), which was closed in 2007. Loss from discontinued operations, net of tax, was $4 million and income from discontinued operations, net of tax, was $26 million in the third quarter and first nine months of 2015, respectively, compared to losses of $44 million and $24 million in the third quarter and first nine months of 2014, respectively. We recorded a provision net of tax for mortgage representation and warranty reserve of $2 million ($3 million before tax) and a benefit net of tax of $27 million ($43 million before tax) in the third quarter and first nine months of 2015, respectively, compared to a provision net of tax of $44 million ($70 million before tax) and $21 million ($34 million before tax) in the third quarter and first nine months of 2014, respectively.

We provide additional information on the net provision for mortgage representation and warranty losses and the related reserve for representation and warranty claims in “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 $530 million (32.2% effective income tax rate) and $1.4 billion (31.7% effective income tax rate) in the third quarter and first nine months of 2015, respectively, compared to the income tax provision of $536 million (32.3% effective income tax rate) and $1.7 billion (32.9% effective income tax rate) in the third quarter and first nine months of

12	Capital One Financial Corporation (COF)

Table of Contents

2014, 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 decrease in our effective income tax rate in the third quarter and first nine months of 2015, from the third quarter and first nine months of 2014, was primarily due to higher discrete tax benefits and increased tax credits, partially offset by a reduced benefit of lower taxed foreign earnings in the third quarter of 2015. We recorded net discrete tax benefits of $10 million and $15 million in the third quarter and first nine months of 2015, respectively. In comparison, we recorded a net discrete tax expense of less than $1 million and $28 million in the third quarter and first nine months of 2014, respectively. Our effective income tax rate, excluding the impact of discrete tax items discussed above, was 32.7% and 32.1% in the third quarter and first nine months of 2015, respectively, and 32.3% and 32.4% in the third quarter and first nine months of 2014, respectively.

We provide additional information on items affecting our income taxes and effective tax rate under "Note 17—Income Taxes" in our 2014 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 19—Business Segments" in our 2014 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 third quarter and first nine months of 2015 and 2014 and provide a comparative discussion of these results. We also discuss changes in our financial condition and credit performance statistics as of September 30, 2015, compared to December 31, 2014. 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 "Executive Summary and Business Outlook."

Credit Card Business

The primary sources of revenue for our Credit Card business are interest income, fees collected from customers and interchange income net of rewards expense. Expenses primarily consist of the provision for credit losses, operating costs such as salaries and associate benefits, occupancy and equipment, professional services, communications and data processing expenses and marketing expenses.

Our Credit Card business generated net income from continuing operations of $670 million and $1.8 billion in the third quarter and first nine months of 2015, respectively, and $624 million and $2.0 billion in the third quarter and first nine months of 2014, respectively.

Table of Contents

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 September 30,			Nine Months Ended September 30,		
(Dollars in millions)	2015	2014	Change	2015	2014	Change
Selected income statement data:						
Net interest income	$2,866	$ 2,627	9%	$8,165	$7,613	7%
Non-interest income	858	846	1	2,519	2,470	2
Total net revenue[1]	3,724	3,473	7	10,684	10,083	6
Provision for credit losses	831	787	6	2,395	1,894	26
Non-interest expense	1,848	1,730	7	5,481	5,175	6
Income from continuing operations before income taxes	1,045	956	9	2,808	3,014	(7)
Income tax provision	375	332	13	1,007	1,054	(4)
Income from continuing operations, net of tax	$670	$ 624	7	$1,801	$1,960	(8)
Selected performance metrics:						
Average loans held for investment[2]	$88,450	$ 79,494	11	$84,999	$78,005	9
Average yield on loans held for investment[3]	14.39%	14.65%	(26)bps	14.22%	14.44%	(22)bps
Total net revenue margin[4]	16.84	17.48	(64)	16.76	17.24	(48)
Net charge-offs	$655	$ 572	15%	$2,077	$2,037	2%
Net charge-off rate	2.96%	2.88%	8 bps	3.26%	3.48%	(22)bps
Card loan premium amortization and other intangible accretion[5]	$5	$ 18	(72)%	$23	$86	(73)%
Purchased credit card relationship ("PCCR") intangible amortization	78	90	(13)	242	282	(14)
Purchase volume[6]	69,875	57,474	22	195,817	161,266	21

(Dollars in millions)	September 30, 2015	December 31, 2014	Change
Selected period-end data:			
Loans held for investment[2]	$90,135	$ 85,876	5%
30+ day performing delinquency rate	3.24%	3.24%	—
30+ day delinquency rate	3.29	3.30	(1)bps
Nonperforming loan rate	0.07	0.08	(1)
Allowance for loan and lease losses	$3,484	$ 3,204	9%
Allowance coverage ratio[7]	3.86%	3.73%	13 bps

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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. Total net revenue was reduced by $195 million and $510 million in the third quarter and first nine months of 2015, respectively, and by $164 million and $480 million in the third quarter and first nine months of 2014, respectively, for the estimated uncollectible amount of billed finance charges and fees. The finance charge and fee reserve totaled $242 million and $216 million as of September 30, 2015 and December 31, 2014, 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 for the specified loan category. Interest income also includes interest income on loans held for sale.

(5) Represents the net reduction in interest income attributable to the amortization of premiums on purchased loans accounted for based on contractual cash flows and the accretion of other intangibles associated with the 2012 U.S. card acquisition.

(6) Consists of 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.

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

Table of Contents

Key factors affecting the results of our Credit Card business for the third quarter and first nine months of 2015, compared to the third quarter and first nine months of 2014, and changes in financial condition and credit performance between September 30, 2015 and December 31, 2014 include the following:

- Net Interest Income: Net interest income increased by $239 million to $2.9 billion in the third quarter of 2015, and increased by $552 million to $8.2 billion in the first nine months of 2015. The increases in net interest income were primarily driven by loan growth in our Domestic Card business.
- Non-Interest Income: Non-interest income increased by $12 million to $858 million in the third quarter of 2015, and increased by $49 million to $2.5 billion in the first nine months of 2015. The increases were primarily attributable to an increase in net interchange fees driven by higher purchase volume, partially offset by a decline in customer-related fees primarily due to the continued run-off of the payment protection products in our Domestic Card business and a build in our U.K. PPI Reserve in our International Card business, a portion of which is recognized as contra revenue.
- Provision for Credit Losses: The provision for credit losses increased by $44 million to $831 million in the third quarter of 2015, primarily driven by higher net charge-offs due to recent loan growth in our Domestic Card business. The provision for credit losses increased by $501 million to $2.4 billion in the first nine months of 2015, primarily driven by a build in the allowance for loan and lease losses in 2015 due to continued loan growth, coupled with our expectations for rising charge-off rates, as compared to an allowance release in the first nine months of 2014 as a result of improved credit outlook and delinquency inventories, as well as higher net charge-offs in our Domestic Card business.
- Non-Interest Expense: Non-interest expense increased by $118 million to $1.8 billion in the third quarter of 2015, and increased by $306 million to $5.5 billion in the first nine months of 2015. These increases were due to higher operating expenses and marketing expenses associated with loan growth, and a build in our U.K. PPI Reserve in the second and third quarters of 2015, partially offset by lower intangibles amortization expense.
- Loans Held for Investment: Period-end loans held for investment increased by $4.3 billion to $90.1 billion as of September 30, 2015 from December 31, 2014, primarily due to growth in our Domestic Card business. Average loans held for investment increased by $9.0 billion to $88.5 billion in the third quarter of 2015 compared to the third quarter of 2014, and increased by $7.0 billion to $85.0 billion in the first nine months of 2015 compared to the first nine months of 2014, primarily due to loan growth in the Domestic Card business.
- Net Charge-off and Delinquency Statistics: Our net charge-off rate increased by 8 basis points to 2.96% in the third quarter of 2015 compared to the third quarter of 2014, primarily driven by higher losses due to the seasoning of recent loan originations. The net charge-off rate decreased by 22 basis points to 3.26% in the first nine months of 2015 compared to the first nine months of 2014, primarily due to loan growth during 2015. The 30+ day delinquency rate decreased by 1 basis point to 3.29% as of September 30, 2015 from December 31, 2014.

Domestic Card Business

Domestic Card generated net income from continuing operations of $639 million and $1.7 billion in the third quarter and first nine months of 2015, respectively, compared to net income from continuing operations of $550 million and $1.8 billion in the third quarter and first nine months of 2014, respectively. Domestic Card accounted for 92% of total net revenues of our Credit Card business in both the third quarter and first nine months of 2015, compared to 90% in both the third quarter and first nine months of 2014. Income attributable to Domestic Card represented 95% of net income for our Credit Card business in both the third quarter and first nine months of 2015, compared to 88% and 89% in the third quarter and first nine months of 2014, respectively. The higher portion of total net revenue attributable to Domestic Card was primarily due to the impact of foreign exchange rates driven by the strengthening of the U.S. dollar, as well as the build in our U.K. PPI Reserve in our International Card business.

Table of Contents

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 September 30,			Nine Months Ended September 30,		
(Dollars in millions)	2015	2014	Change	2015	2014	Change
Selected income statement data:						
Net interest income	$2,613	$ 2,361	11%	$7,429	$6,809	9%
Non-interest income	814	763	7	2,353	2,233	5
Total net revenue[1]	3,427	3,124	10	9,782	9,042	8
Provision for credit losses	796	738	8	2,259	1,728	31
Non-interest expense	1,630	1,530	7	4,831	4,588	5
Income from continuing operations before income taxes	1,001	856	17	2,692	2,726	(1)
Income tax provision	362	306	18	974	974	—
Income from continuing operations, net of tax	$639	$ 550	16	$1,718	$1,752	(2)
Selected performance metrics:						
Average loans held for investment[2]	$80,402	$ 71,784	12	$77,053	$70,331	10
Average yield on loans held for investment[3]	14.35%	14.46%	(11)bps	14.17%	14.20%	(3)bps
Total net revenue margin[4]	17.05	17.41	(36)	16.93	17.14	(21)
Net charge-offs	$619	$ 508	22%	$1,933	$1,818	6%
Net charge-off rate	3.08%	2.83%	25 bps	3.35%	3.45%	(10)bps
Card loan premium amortization and other intangible accretion[5]	$5	$ 18	(72)%	$23	$86	(73)%
PCCR intangible amortization	78	90	(13)	242	282	(14)
Purchase volume[6]	63,777	53,690	19	178,000	150,482	18

(Dollars in millions)	September 30, 2015	December 31, 2014	Change
Selected period-end data:			
Loans held for investment[2]	$82,178	$ 77,704	6%
30+ day delinquency rate	3.28%	3.27%	1 bps
Allowance for loan and lease losses	$3,196	$ 2,878	11%
Allowance coverage ratio[7]	3.89%	3.70%	19 bps

(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 for the specified loan category. Interest income includes interest income on loans held for sale and 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) Represents the net reduction in interest income attributable to the amortization of premiums on purchased loans accounted for based on contractual cash flows and the accretion of other intangibles associated with the 2012 U.S. card acquisition.

(6) Consists of domestic 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.

(7) Calculated by dividing the allowance for loan and lease losses as of the end of the period 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. The primary driver of the changes in net income for our Domestic Card business was continued loan growth which drove higher revenue, higher provision for credit losses and higher operating and marketing expenses.

Table of Contents

International Card Business

International Card generated net income from continuing operations of $31 million and $83 million in the third quarter and first nine months of 2015, respectively, compared to net income from continuing operations of $74 million and $208 million in the third quarter and first nine months of 2014, respectively. The decreases in the third quarter and first nine months of 2015 were primarily due to a build in our U.K. PPI Reserve in the second and third quarters of 2015, which resulted in a reduction to net revenue and an increase in non-interest expense, and the impact of foreign exchange rates driven by the strengthening of the U.S. dollar in the first nine months of 2015, which were partially offset by lower provision for credit losses primarily driven by a decrease in net charge-offs due to recent credit improvement and higher recoveries from debt sales.

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 September 30,			Nine Months Ended September 30,		
(Dollars in millions)	2015	2014	Change	2015	2014	Change
Selected income statement data:						
Net interest income	$253	$ 266	(5)%	$736	$804	(8)%
Non-interest income	44	83	(47)	166	237	(30)
Total net revenue	297	349	(15)	902	1,041	(13)
Provision for credit losses	35	49	(29)	136	166	(18)
Non-interest expense	218	200	9	650	587	11
Income from continuing operations before income taxes	44	100	(56)	116	288	(60)
Income tax provision	13	26	(50)	33	80	(59)
Income from continuing operations, net of tax	$31	$ 74	(58)	$83	$208	(60)
Selected performance metrics:						
Average loans held for investment[1]	$8,048	$ 7,710	4	$7,946	$7,674	4
Average yield on loans held for investment[2]	14.88%	16.42%	(154)bps	14.70%	16.60%	(190)bps
Total net revenue margin[3]	14.77	18.13	(336)	15.14	18.09	(295)
Net charge-offs	$36	$ 64	(44)%	$144	$219	(34)%
Net charge-off rate	1.80%	3.32%	(152)bps	2.41%	3.81%	(140)bps
Purchase volume[4]	$6,098	$ 3,784	61%	$17,817	$10,784	65%

(Dollars in millions)	September 30, 2015	December 31, 2014	Change
Selected period-end data:			
Loans held for investment[1]	$7,957	$ 8,172	(3)%
30+ day performing delinquency rate	2.81%	2.94%	(13)bps
30+ day delinquency rate	3.39	3.60	(21)
Nonperforming loan rate	0.77	0.86	(9)
Allowance for loan and lease losses	$288	$ 326	(12)%
Allowance coverage ratio[5]	3.62%	3.99%	(37)bps

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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 allowance for loan and lease losses as of the end of the period by period-end loans held for investment.

Table of Contents

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, such as salaries and associate benefits, occupancy and equipment costs, professional services, communications and data processing expenses, as well as marketing expenses.

Our Consumer Banking business generated net income from continuing operations of $273 million and $830 million in the third quarter and first nine months of 2015, respectively, and $289 million and $953 million in the third quarter and first nine months of 2014, 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 September 30,			Nine Months Ended September 30,		
(Dollars in millions)	2015	2014	Change	2015	2014	Change
Selected income statement data:						
Net interest income	$1,443	$1,425	1%	$4,321	$4,289	1%
Non-interest income	174	179	(3)	528	499	6
Total net revenue	1,617	1,604	1	4,849	4,788	1
Provision for credit losses[1]	188	198	(5)	579	481	20
Non-interest expense	1,001	956	5	2,969	2,824	5
Income from continuing operations before income taxes	428	450	(5)	1,301	1,483	(12)
Income tax provision	155	161	(4)	471	530	(11)
Income from continuing operations, net of tax	$273	$289	(6)	$830	$953	(13)
Selected performance metrics:						
Average loans held for investment:[2]						
Auto	$40,560	$35,584	14	$39,505	$33,993	16
Home loan	26,934	31,859	(15)	28,217	33,258	(15)
Retail banking	3,603	3,605	—	3,578	3,616	(1)
Total consumer banking	$71,097	$71,048	—	$71,300	$70,867	1
Average yield on loans held for investment[3]	6.25%	6.18 %	7 bps	6.26%	6.19%	7 bps
Average deposits	$170,816	$168,407	1%	$170,500	$168,925	1%
Average deposit interest rate	0.56%	0.58 %	(2)bps	0.57%	0.58%	(1)bps
Core deposit intangible amortization	$19	$26	(27)%	$62	$84	(26)%
Net charge-offs	203	190	7	498	460	8
Net charge-off rate	1.14%	1.07%	7 bps	0.93%	0.87%	6 bps
Net charge-off rate (excluding Acquired Loans)[4]	1.58	1.65	(7)	1.33	1.37	(4)
Auto loan originations	$5,590	$5,410	3%	$16,208	$15,513	4%

Table of Contents

(Dollars in millions)	September 30, 2015	December 31, 2014	Change	
Selected period-end data:				
Loans held for investment:[2]				
Auto	$ 41,052	$ 37,824	9%	
Home loan	26,340	30,035	(12	)
Retail banking	3,598	3,580	1	
Total consumer banking	$ 70,990	$ 71,439	(1	)
30+ day performing delinquency rate	3.62%	3.60%	2	bps
30+ day performing delinquency rate (excluding Acquired Loans)[4]	5.01	5.34	(33	)
30+ day delinquency rate	4.22	4.23	(1	)
30+ day delinquency rate (excluding Acquired Loans)[4]	5.83	6.28	(45	)
Nonperforming loans rate	0.76	0.77	(1	)
Nonperforming loans rate (excluding Acquired Loans)[4]	1.05	1.14	(9	)
Nonperforming asset rate[5]	1.05	1.06	(1	)
Nonperforming asset rate (excluding Acquired Loans)[4][5]	1.44	1.57	(13	)
Allowance for loan and lease losses[1]	$ 860	$ 779	10%	
Allowance coverage ratio[6]	1.21%	1.09%	12	bps
Deposits	$ 170,866	$ 168,078	2%	
Loans serviced for others	7,368	6,701	10	

(1) The provision for 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. We recorded a reserve for unfunded lending commitments of $8 million and $7 million as of September 30, 2015 and December 31, 2014, respectively.

(2) The period-end consumer banking loans held for investments includes Acquired Loans with carrying values of $19.6 billion and $23.3 billion as of September 30, 2015 and December 31, 2014, respectively. The average balance of consumer banking loans held for investment includes Acquired Loans of $20.0 billion and $24.9 billion in the third quarter of 2015 and 2014, respectively, and $21.3 billion and $26.2 billion in the first nine months of 2015 and 2014, respectively.

(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) See “Credit Risk Profile” and “Note 1—Summary of Significant Accounting Policies” in our 2014 Form 10-K for additional information on the impact of Acquired Loans on our credit quality metrics.

(5) Nonperforming assets consist of nonperforming loans, real estate owned (“REO”) and other foreclosed assets. The nonperforming asset rate is calculated based on nonperforming assets as of the end of the period 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 allowance for loan and lease losses as of the end of the period by period-end loans held for investment.

Key factors affecting the results of our Consumer Banking business for the third quarter and first nine months of 2015, compared to the third quarter and first nine months of 2014, and changes in financial condition and credit performance

between September 30, 2015 and December 31, 2014 include the following:

- Net Interest Income: Net interest income increased by $18 million to $1.4 billion in the third quarter of 2015 and increased by $32 million to $4.3 billion in the first nine months of 2015 as compared to the third quarter and first nine months of 2014, as the higher net interest income generated by the growth in our auto loan portfolio was partially offset by lower net interest income from our home loan portfolio attributable to the planned run-off of the acquired portfolio and margin compression in auto loans.

Consumer Banking loan yields increased by 7 basis points to 6.3% in both the third quarter and first nine months of 2015, compared to the third quarter and first nine months of 2014. The increases were driven by changes in the product mix in Consumer Banking as a result of growth in our auto loan portfolio and the planned run-off of the acquired home loan portfolio. The increase in our auto loan portfolio in relation to our total consumer banking loan portfolio drove an increase in the total Consumer Banking yield, even as the average yield on auto loans decreased by 50 basis points to 8.0% and decreased by 64 basis points to 8.1% in the third quarter and first nine months of 2015, respectively. These decreases were primarily attributable to two factors: (i) a shift to a higher proportion of prime auto loans; and (ii) continued competition across the auto business. The average yield on the home loan portfolio increased by 7 basis points to 3.8% and increased

Table of Contents

by 13 basis points to 3.9% in the third quarter and first nine months of 2015, respectively, as a result of higher payments on our acquired home loan portfolio.

- Non-Interest Income: Non-interest income decreased by $5 million to $174 million in the third quarter of 2015. Non-interest income increased by $29 million to $528 million in the first nine months of 2015 primarily due to the gain on sales recognized on loans originated and sold within our home loan portfolio.
- Provision for Credit Losses: The provision for credit losses decreased by $10 million to $188 million in the third quarter of 2015. The provision for credit losses increased by $98 million to $579 million in the first nine months of 2015 driven by an allowance build in our Consumer Banking business due to continued loan growth and higher losses on recent auto loan originations, coupled with higher net charge-offs in our auto loan portfolio.
- Non-Interest Expense: Non-interest expense increased by $45 million to $1.0 billion in the third quarter of 2015, and increased by $145 million to $3.0 billion in the first nine months of 2015, largely due to continued technology and infrastructure investments in our retail banking business and increased operating expenses due to growth in our auto loan portfolio.
- Loans Held for Investment: Period-end loans held for investment decreased by $449 million to $71.0 billion as of September 30, 2015 from December 31, 2014, primarily due to the planned run-off of our acquired home loan portfolio, partially offset by growth in our auto loan portfolio. Average loans held for investment increased by $49 million to $71.1 billion in the third quarter of 2015 compared to the third quarter of 2014, and increased by $433 million to $71.3 billion in the first nine months of 2015 compared to the first nine months of 2014, due to growth in our auto loan portfolio outpacing the planned run-off of our acquired home loan portfolio.
- Deposits: Period-end deposits increased by $2.8 billion to $170.9 billion as of September 30, 2015 from December 31, 2014, primarily driven by our continued focus on deposit relationships with existing customers and attracting new customers.
- Net Charge-off and Delinquency Statistics: The net charge-off rate increased by 7 basis points to 1.14% in the third quarter of 2015 compared to the third quarter of 2014, and increased by 6 basis points to 0.93% in the first nine months of 2015 compared to the first nine months of 2014. The increase in the net charge-off rates reflected the planned run-off of our acquired home loan portfolio, which generally does not have charge-offs since these loans were recorded at fair value at acquisition, and a greater portion of auto loans in our portfolio, which have a higher charge-off rate than other products within the total consumer banking loan portfolio. The 30+ day delinquency rate decreased by 1 basis point to 4.22% as of September 30, 2015 from December 31, 2014.

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, such as salaries and associate benefits, occupancy, equipment, professional services, communications and data processing expenses, as well as marketing expenses.

Our Commercial Banking business generated net income from continuing operations of $137 million and $464 million in the third quarter and first nine months of 2015, respectively, and $182 million and $490 million in the third quarter and first nine months of 2014, respectively.

Table 9 summarizes the financial results of our Commercial Banking business and displays selected key metrics for the periods indicated.

Table of Contents

Table 9: Commercial Banking Business Results

(Dollars in millions)	Three Months Ended September 30, 2015	2014	Change	Nine Months Ended September 30, 2015	2014	Change
Selected income statement data:						
Net interest income	$454	$439	3%	$1,381	$1,296	7%
Non-interest income	108	122	(11)	345	318	8
Total net revenue[1]	562	561	—	1,726	1,614	7
Provision for credit losses[2]	75	9	733	184	61	202
Non-interest expense	272	268	1	814	790	3
Income from continuing operations before income taxes	215	284	(24)	728	763	(5)
Income tax provision	78	102	(24)	264	273	(3)
Income from continuing operations, net of tax	$137	$182	(25)	$464	$490	(5)
Selected performance metrics:						
Average loans held for investment:[3]						
Commercial and multifamily real estate	$23,305	$22,409	4	$23,092	$21,623	7
Commercial and industrial	27,620	25,512	8	27,411	24,562	12
Total commercial lending	50,925	47,921	6	50,503	46,185	9
Small-ticket commercial real estate	667	845	(21)	712	891	(20)
Total commercial banking	$51,592	$48,766	6	$51,215	$47,076	9
Average yield on loans held for investment[1]	3.21%	3.39%	(18)bps	3.23%	3.45%	(22)bps
Average deposits	$32,806	$31,772	3%	$32,809	$31,546	4%
Average deposit interest rate	0.25%	0.24%	1 bps	0.25%	0.24%	1 bps
Core deposit intangible amortization	$3	$5	(40)%	$11	$16	(31)%
Net charge-offs	33	(6)	**	43	1	**
Net charge-off (recovery) rate	0.26%	(0.05)%	31 bps	0.11%	0.00%	11 bps

(Dollars in millions)	September 30, 2015	December 31, 2014	Change
Selected period-end data:			
Loans held for investment:[3]			
Commercial and multifamily real estate	$23,585	$23,137	2%
Commercial and industrial	27,873	26,972	3
Total commercial lending	51,458	50,109	3
Small-ticket commercial real estate	654	781	(16)
Total commercial banking	$52,112	$50,890	2
Nonperforming loans rate	0.87%	0.34%	53 bps
Nonperforming asset rate[4]	0.87	0.36	51
Allowance for loan and lease losses[2]	$499	$395	26%
Allowance coverage ratio[5]	0.96%	0.78%	18 bps
Deposits	$32,751	$31,954	2%
Loans serviced for others[6]	16,927	14,131	20

** Change is not meaningful.

(1) The average yield on loans held for investment is calculated by dividing annualized interest income for the period by average loans held for investment during the period. Annualized 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. 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%.

(2) The provision for 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. We recorded a reserve for unfunded lending commitments of $142 million and $106 million as of September 30, 2015 and December 31, 2014, respectively.

(3) The period-end commercial banking loans held for investments includes Acquired Loans with carrying value of $131 million and $191 million as of September 30, 2015 and December 31, 2014, respectively. The average balance of commercial banking loans held for investment includes Acquired Loans of $133 million and $213 million in the third quarter of 2015 and 2014 respectively, and $153 million and $222 million in the first nine months of 2015 and 2014, respectively.

Table of Contents

(4) Nonperforming assets consist of nonperforming loans, real estate owned ("REO") and other foreclosed assets. The nonperforming asset rate is calculated based on nonperforming assets as of the end of the period 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 allowance for loan and lease losses as of the end of the period by period-end loans held for investment.

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

Key factors affecting the results of our Commercial Banking business for the third quarter and first nine months of 2015, compared to the third quarter and first nine months of 2014, and changes in financial condition and credit performance between September 30, 2015 and December 31, 2014 include the following:

- Net Interest Income: Net interest income increased by $15 million to $454 million in the third quarter of 2015, and increased by $85 million to $1.4 billion in the first nine months of 2015. The increases were due to growth in commercial and industrial and commercial and multifamily real estate average loans, partially offset by lower loan yields driven by market and competitive pressures.
- Non-Interest Income: Non-interest income decreased by $14 million to $108 million in the third quarter of 2015 due to pricing compression and differences in the timing of loan originations in our multifamily finance business. Non-interest income increased by $27 million to $345 million in the first nine months of 2015 primarily driven by increased revenue from fee-based services and products related to our multifamily finance business.
- Provision for Credit Losses: The provision for credit losses increased by $66 million to $75 million in the third quarter of 2015, and increased by $123 million to $184 million in the first nine months of 2015. The increases were primarily driven by higher charge-offs and a larger build in both the allowance and the reserve for unfunded lending commitments resulting from adverse market conditions impacting our oil and gas portfolios and the taxi-lending component of our transportation loan portfolio. 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 $4 million to $272 million in the third quarter of 2015, and increased by $24 million to $814 million in the first nine months of 2015, driven by higher operating expenses associated with continued growth in our Commercial Banking business.
- Loans Held for Investment: Period-end loans held for investment increased by $1.2 billion to $52.1 billion as of September 30, 2015 from December 31, 2014 driven by loan growth in our commercial and industrial and commercial and multifamily real estate loan portfolios. Average loans held for investment increased by $2.8 billion to $51.6 billion in the third quarter of 2015 compared to the third quarter of 2014, and increased by $4.1 billion to $51.2 billion in the first nine months of 2015 compared to the first nine months of 2014, driven by loan growth in our commercial and industrial and commercial and multifamily real estate loan portfolios.
- Deposits: Period-end deposits increased by $797 million to $32.8 billion as of September 30, 2015 from December 31, 2014, driven by our strategy to strengthen existing relationships with and increase liquidity from our commercial customers.
- Net Charge-off and Nonperforming Statistics: The net charge-off rate increased by 31 basis points to 0.26% in the third quarter of 2015 compared to the third quarter of 2014, and increased by 11 basis points to 0.11% in the first nine months of 2015 compared to the first nine months of 2014. The nonperforming loans rate increased by 53 basis points to 0.87% as of September 30, 2015 from December 31, 2014. The increases in these rates reflect losses and credit risk rating downgrades in our oil and gas portfolios and the taxi-lending component of our transportation loan portfolio.

Other Category

Other includes unallocated amounts related to our centralized Corporate Treasury group activities, such as management of our corporate investment portfolio and asset/liability management, gains and losses on our investment securities portfolio and certain capital management activities. Other also includes foreign exchange-rate fluctuations on foreign currency-denominated balances; certain gains and losses on the sale and securitization of loans; 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; a portion of the net provision for representation and warranty losses related to continuing operations; and offsets related to certain line-item reclassifications.

Table of Contents

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

Table 10: Other Category Results

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions)	2015	2014	Change	2015	2014	Change
Selected income statement data:						
Net interest (expense) income	$(3)	$6	**	$6	$(36)	**
Non-interest income	—	(5)	**	(46)	28	**
Total net (loss) revenue[1]	(3)	1	**	(40)	(8)	**
Benefit for credit losses	(2)	(1)	100 %	(2)	(4)	(50)%
Non-interest expense	39	31	26	252	107	136
Loss from continuing operations before income taxes	(40)	(29)	38	(290)	(111)	161
Income tax benefit	(78)	(59)	32	(299)	(161)	86
Income from continuing operations, net of tax	$38	$30	27	$9	$50	(82)

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** Change is not meaningful.

(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 within the Other category.

Net income from continuing operations recorded in the Other category was $38 million and $9 million in the third quarter and first nine months of 2015, respectively, compared to a net income from continuing operations of $30 million and $50 million in the third quarter and first nine months of 2014, respectively. The reduction in net income in the first nine months of 2015 was primarily due to the restructuring charges for severance and related benefits pursuant to our ongoing benefit programs during the second quarter of 2015 and decreased net revenue from our Corporate Treasury function, partially offset by higher tax benefits.

CONSOLIDATED BALANCE SHEETS ANALYSIS

Total assets increased by $5.5 billion to $313.7 billion as of September 30, 2015 from December 31, 2014 primarily attributable to (i) an increase of $5.0 billion in loans held for investment due to growth in our credit card, auto and commercial portfolios, partially offset by the planned run-off of our acquired home loan portfolio; and (ii) an increase of $1.1 billion in investment securities due to purchases outpacing sales, maturities and paydowns. Total liabilities increased by $2.9 billion to $266.0 billion as of September 30, 2015, primarily driven by higher deposit and outstanding debt due to new issuances outpacing maturities, partially offset by lower Federal Home Loan Banks ("FHLB") advances resulting from lower liquidity-related short-term funding needs due to expected seasonality and increased long-term debt issuances. Stockholders' equity increased by $2.6 billion to $47.7 billion as of September 30, 2015. The increase in stockholders' equity was primarily attributable to our net income of $3.1 billion in the first nine months of 2015 and $1.5 billion of proceeds from the issuance of preferred stock, partially offset by $1.8 billion of share repurchases under our 2014 and 2015 Stock Repurchase Programs and dividend payments.

The following is a discussion of material changes in the major components of our assets and liabilities during the first nine months of 2015. 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; corporate debt securities guaranteed by U.S. government agencies; U.S. government-sponsored enterprise or agency ("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, Agency securities and other securities guaranteed by the U.S. government or agencies of the U.S. government represented 90% and 86% of our total investment securities portfolio as of September 30, 2015 and December 31, 2014, respectively. During the first nine months of 2015, the fair value of our investment portfolio increased by $1.2 billion to $64.3 billion as of September 30, 2015 from December 31, 2014 due to purchases outpacing maturities and paydowns.

Table of Contents

We had gross unrealized gains of $808 million and gross unrealized losses of $130 million on available-for sale investment securities as of September 30, 2015, compared to gross unrealized gains of $886 million and gross unrealized losses of $237 million as of December 31, 2014. The marginal increase in net unrealized gains in the first nine months of 2015 was primarily driven by a decrease in interest rates. Of the $130 million in gross unrealized losses as of September 30, 2015, $94 million was related to securities that had been in a loss position for more than 12 months. We provide information on other-than-temporary impairment ("OTTI") recognized in earnings on our investment securities above in "Consolidated Results of Operations—Non-Interest Income."

Table 11 presents the amortized cost, carrying value and fair value for the major categories of our portfolio of investment securities as of September 30, 2015 and December 31, 2014.

Table 11: Investment Securities

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Investment securities available for sale				
U.S. Treasury securities	$4,412	$4,445	$4,114	$4,118
Corporate debt securities guaranteed by U.S. government agencies	356	355	819	800
RMBS:				
Agency[(1)]	24,409	24,611	21,804	21,995
Non-agency	2,761	3,154	2,938	3,386
Total RMBS	27,170	27,765	24,742	25,381
CMBS:				
Agency[(1)]	3,431	3,446	3,751	3,723
Non-agency	1,744	1,774	1,780	1,796
Total CMBS	5,175	5,220	5,531	5,519
Other ABS[(2)]	1,478	1,483	2,618	2,662
Other securities[(3)]	162	163	1,035	1,028
Total investment securities available for sale	$38,753	$39,431	$38,859	$39,508
(Dollars in millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Investment securities held to maturity				
U.S. Treasury securities	$198	$200	$0	$0
Agency RMBS	20,614	21,674	20,163	21,210
Agency CMBS	2,899	3,039	2,337	2,424
Total investment securities held to maturity	$23,711	$24,913	$22,500	$23,634

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

(2) ABS collateralized by credit card loans constituted approximately 65% and 56% of the other ABS portfolio as of September 30, 2015 and December 31, 2014, respectively, and ABS collateralized by auto dealer floor plan inventory loans and leases constituted approximately 10% and 16% of the other ABS portfolio as of September 30, 2015 and December 31, 2014, respectively.

(3) Includes foreign government bonds, corporate securities, municipal securities and equity investments primarily related to activities under the Community Reinvestment Act ("CRA").

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% and 93% of our total investment securities portfolio was rated AA+ or its equivalent, or better, as of September 30,

2015 and December 31, 2014, respectively, while approximately 5% and 6% was below investment grade as of September 30, 2015 and December 31, 2014,

Table of Contents

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 ("S&P"), 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 September 30, 2015 and December 31, 2014.

Table 12: Non-Agency Investment Securities Credit Ratings

	September 30, 2015				December 31, 2014			
(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	$3,154	—	3%	97%	$3,386	—	3%	97%
Non-agency CMBS	1,774	100%	—	—	1,796	100%	—	—
Other ABS	1,483	99	1	—	2,662	90	5	5
Other securities	163	18	26	56	1,028	2	88	10

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(1) Includes a small portion of 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 unrestricted loans and loans restricted in our consolidated securitization 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 September 30, 2015 and December 31, 2014.

Table 13: Loans Held for Investment

	September 30, 2015			December 31, 2014		
(Dollars in millions)	Loans	Allowance	Net Loans	Loans	Allowance	Net Loans
Credit Card	$90,135	$ 3,484	$86,651	$85,876	$ 3,204	$82,672
Consumer Banking	70,990	860	70,130	71,439	779	70,660
Commercial Banking	52,112	499	51,613	50,890	395	50,495
Other	92	4	88	111	5	106
Total	$213,329	$ 4,847	$208,482	$208,316	$ 4,383	$203,933

Period-end loans held for investment increased by $5.0 billion to $213.3 billion as of September 30, 2015 from December 31, 2014, primarily driven by continued loan growth in our credit card, auto and commercial loan portfolios, partially offset by the planned run-off of our acquired home loan portfolio.

We provide additional information on the composition of our loan portfolio and credit quality below in "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, decreased by $60 million to $566 million as of September 30, 2015 from December 31, 2014. The decrease was primarily due to (i) the sale of certain credit card loan portfolios and (ii) a decrease in loan originations within our multifamily finance loan portfolio.

Deposits

Our deposits represent our largest source of funding for our operations, providing a consistent source of low-cost funds. Total deposits increased by $7.4 billion to $212.9 billion as of September 30, 2015 from December 31, 2014. The increase in deposits was primarily driven by the issuance of brokered deposits and growth in our Consumer Banking and Commercial Banking businesses as a result of our continued focus on deposit relationships with existing customers and our ongoing marketing strategy to attract new business and increase liquidity from our commercial customers. We provide information on the composition of our deposits, average outstanding balances, interest expense and yield below in "Liquidity Risk Profile."

Table of Contents

Securitized Debt Obligations

Securitized debt obligations increased by $4.0 billion to $15.7 billion as of September 30, 2015 from December 31, 2014 primarily driven by debt issuances of $4.2 billion, offset by debt maturities of $175 million during the first nine months of 2015. We provide additional information on our borrowings below in "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 FHLB advances, totaled $27.1 billion as of September 30, 2015, of which $1.0 billion represented short-term borrowings and $26.1 billion represented long-term debt. Other debt totaled $36.8 billion as of December 31, 2014, of which $17.1 billion represented short-term borrowings and $19.7 billion represented long-term debt. During the first nine months of 2015, we extended the maturity of our FHLB advances which resulted in a decrease in our short-term debt and a corresponding increase in our long-term debt.

The decrease in other debt of $9.7 billion in the first nine months of 2015 was primarily attributable to a net decrease of $13.0 billion in FHLB advances, partially offset by net increases of $3.1 billion in unsecured senior notes and $141 million in federal funds purchased and securities loaned or sold under agreements to repurchase. We provide additional information on our borrowings below in "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 Chevy Chase Bank, F.S.B ("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 $632 million as of September 30, 2015, compared to $731 million as of December 31, 2014.

The table below summarizes changes in our representation and warranty reserve in the third quarter and first nine months of 2015 and 2014.

Table 14: Changes in Representation and Warranty Reserve

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2015	2014	2015	2014
Representation and warranty reserve, beginning of period	$636	$1,012	$731	$1,172
(Benefit) provision for mortgage representation and warranty losses:				
Recorded in continuing operations	(7)	—	(15)	(15)
Recorded in discontinued operations	3	70	(43)	34
Total (benefit) provision for mortgage representation and warranty losses	(4)	70	(58)	19
Net realized losses	—	(2)	(41)	(111)
Representation and warranty reserve, end of period	$632	$1,080	$632	$1,080

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 September 30, 2015, is approximately $1.6

billion, a decline from our estimate of $2.1 billion as of December 31, 2014. The decrease in the reasonably possible estimate of representation and warranty reserve was primarily driven by settlements and favorable industry legal developments.

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 mortgage loan trusts and community reinvestment and development 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

Bank holding companies and national banks are subject to capital adequacy standards adopted by the Federal Reserve and the Office of the Comptroller of the Currency ("OCC"), respectively. The capital adequacy standards set forth minimum risk-based and leverage capital requirements that are based on quantitative and qualitative measures of assets and off-balance sheet items. National banks, as insured depository institutions, are also subject to Prompt Corrective Action ("PCA") capital regulations, which require the U.S. federal banking agencies to take "prompt corrective action" for banks that do not meet the PCA capital requirements.

In July 2013, the Federal Banking Agencies finalized a new capital rule that implements the Basel III capital accord (the "Final Basel III Capital Rules") developed by the Basel Committee on Banking Supervision ("Basel Committee") and certain Dodd-Frank Act capital provisions and updates the PCA capital requirements. The Final Basel III Capital Rules amended both the Basel I and Basel II Advanced Approaches frameworks, establishing a new common equity Tier 1 capital requirement and setting higher minimum capital ratio requirements. The Company refers 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, the Company met one of the two independent eligibility criteria set by banking regulators for becoming subject to the Advanced Approaches capital rules. As a result, the Company has undertaken a multi-year process of implementing the Advanced Approaches regime for calculating risk-weighted assets and regulatory capital levels. Certain provisions of the Final Basel III Capital Rules began to take effect on January 1, 2014 for Advanced Approaches banking organizations, including the Company. The Company entered parallel run under Advanced Approaches on January 1, 2015, during which it will calculate capital ratios under both the Basel III Standardized Approaches and the Basel III Advanced Approaches, though it will continue to use the Basel III Standardized Approach for purposes of meeting regulatory capital requirements. By rule, the parallel run must last at least four consecutive quarters. Therefore, the first quarter of 2016 is the earliest possible date on which the Company would use

the Basel III Advanced Approaches framework in calculating its regulatory capital and risk-weighted assets for purposes of risk-based capital requirements. Consistent with the experience of other U.S. banks, it is possible that our parallel run will last

longer than the four quarter minimum. Under the Dodd-Frank Act and the Final Basel III Capital Rules, organizations subject to Basel III Advanced Approaches may not hold less capital than would be required under the Basel III Standardized Approach. Therefore, even after we exit parallel run, we will continue to calculate regulatory capital and risk-weighted assets under the Basel III Standardized Approach.

As of January 1, 2014, the minimum risk-based and leverage capital requirements for Advanced Approaches banking organizations included a common equity Tier 1 capital ratio of at least 4.0%, a Tier 1 risk-based capital ratio of at least 5.5%, a total risk-based capital ratio of at least 8.0%, and a Tier 1 leverage capital ratio of at least 4.0%. On January 1, 2015, the minimum risk-based capital ratio requirements increased to 4.5% for the common equity Tier 1 capital ratio and to 6.0% for the Tier 1 risk-based capital ratio. The minimum requirements for the total risk-based capital ratio and the Tier 1 leverage capital ratio did not change from 2014 to 2015.

The Final Basel III Capital Rules also introduced a new supplementary leverage ratio for all Advanced Approaches banking organizations with a minimum requirement of 3.0%. In September 2014, the Federal Banking Agencies issued a final rule that revised the calculation of total leverage exposures and implemented the supplementary leverage ratio. The supplementary leverage ratio compares Tier 1 capital to total leverage exposures, and includes all on-balance sheet assets and many off-balance sheet assets, including derivatives and unused commitments. The new supplementary leverage ratio becomes effective on January 1, 2018. However, as an Advanced Approaches banking organization, we were required to calculate and publicly disclose our supplementary leverage ratio beginning in the first quarter of 2015.

Insured depository institutions are also subject to PCA capital regulations. The Final Basel III Capital Rules increased some of the thresholds for the PCA capital categories and added the new common equity Tier 1 capital ratio to the PCA regulations, effective January 1, 2015. As of January 1, 2014, an insured depository institution was considered to be well-capitalized if it maintains a Tier 1 risk-based capital ratio of at least 6.0%, a total risk-based capital ratio of at least 10.0%, a Tier 1 leverage capital ratio of at least 5.0%, and is not subject to any written agreement, order, capital directive, or PCA directive issued by its regulator. Beginning on January 1, 2015, the well-capitalized level for the Tier 1 risk-based capital ratio increased to 8.0%, and the well-capitalized level for the common equity Tier 1 capital ratio was established at 6.5%. The well-capitalized levels for the total risk-based capital ratio and the Tier 1 leverage capital ratio did not change.

We 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 Federal Banking Agencies’ capital adequacy standards as of September 30, 2015 and December 31, 2014. Under the Final Basel III Capital Rules, beginning on January 1, 2014, as an Advanced Approaches banking organization we began using the Basel III Standardized Approach for calculating our regulatory capital, subject to applicable transition provisions. Throughout 2014, we continued to use Basel I for calculating our risk-weighted assets in our regulatory capital ratios, as required under the Final Basel III Capital Rules. On January 1, 2015, we began using the Basel III Standardized Approach for calculating our risk-weighted assets in our regulatory capital ratios.

Table of Contents

Table 15: Capital Ratios[1][2]

	September 30, 2015			December 31, 2014		
	Capital Ratio	Minimum Capital Adequacy	Well-Capitalized	Capital Ratio	Minimum Capital Adequacy	Well-Capitalized
Capital One Financial Corp:						
Common equity Tier 1 capital[3]	12.1%	4.5%	N/A	12.5%	4.0%	N/A
Tier 1 risk-based capital[4]	13.4	6.0	6.0%	13.2	5.5	6.0%
Total risk-based capital[5]	15.1	8.0	10.0	15.1	8.0	10.0
Tier 1 leverage[6]	11.1	4.0	N/A	10.8	4.0	N/A
Supplementary leverage ratio[7]	9.6	N/A	N/A	N/A	N/A	N/A
Capital One Bank (USA), N.A.:						
Common equity Tier 1 capital[3]	12.5%	4.5%	6.5%	11.3%	4.0%	N/A
Tier 1 risk-based capital[4]	12.5	6.0	8.0	11.3	5.5	6.0%
Total risk-based capital[5]	15.5	8.0	10.0	14.6	8.0	10.0
Tier 1 leverage[6]	10.8	4.0	5.0	9.6	4.0	5.0
Supplementary leverage ratio[7]	8.8	N/A	N/A	N/A	N/A	N/A
Capital One, N.A.:						
Common equity Tier 1 capital[3]	12.9%	4.5 %	6.5%	12.5%	4.0%	N/A
Tier 1 risk-based capital[4]	12.9	6.0	8.0	12.5	5.5	6.0%
Total risk-based capital[5]	14.0	8.0	10.0	13.6	8.0	10.0
Tier 1 leverage[6]	9.1	4.0	5.0	8.9	4.0	5.0
Supplementary leverage ratio[7]	8.2	N/A	N/A	N/A	N/A	N/A

(1) Capital ratios are calculated based on the Basel III Standardized Approach framework, subject to applicable transition provisions. As we continue to refine our classification of exposures under the Basel III Standardized Approach framework, risk-weighted asset classifications are subject to change. See "MD&A—Table A—Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures" for additional information.

(2) Ratios as of September 30, 2015 are preliminary. As we continue to validate our data the calculations are subject to change until we file our September 30, 2015 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 risk-based capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by risk-weighted assets.

(5) Total risk-based capital ratio is a regulatory capital measure calculated based on total risk-based 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 under the Basel III Standardized Approach divided by total leverage exposure.

Capital One Financial Corporation exceeded Federal Banking Agencies' minimum capital requirements and the Banks exceeded minimum regulatory requirements and were "well-capitalized" under PCA requirements as of both September 30, 2015 and December 31, 2014. Our common equity Tier 1 capital ratio, as calculated under the Basel III Standardized Approach, subject to transition provisions, was 12.1% and 12.5% as of September 30, 2015 and December 31, 2014, respectively.

The calculation of our Basel III Standardized Approach common equity Tier 1 capital under the Final Basel III Capital Rules includes adjustments and deductions which are subject to transition provisions, such as the inclusion of the

unrealized gains and losses on available for sale investment securities 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 20% for 2014, 40% for 2015, 60% for 2016, 80% for 2017 and 100% for 2018.

The following table compares our common equity Tier 1 capital and risk-weighted assets as of September 30, 2015, calculated based on the Final Basel III Capital Rules, subject to applicable transition provisions, to our estimated common equity Tier 1 capital and risk-weighted assets as of September 30, 2015, calculated under the Basel III Standardized Approach, as it applies when fully phased-in 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

Table of Contents

to future regulations and interpretations. As we continue to engage with our regulators during our parallel run, we anticipate that 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)	September 30, 2015
Common equity Tier 1 capital under Basel III Standardized	$30,109
Adjustments related to AOCI[2]	(218)
Adjustments related to intangibles[2]	(562)
Other adjustments[2]	—
Estimated common equity Tier 1 capital under fully phased-in Basel III Standardized	$29,329
Risk-weighted assets under Basel III Standardized	$249,081
Adjustments for fully phased-in Basel III Standardized[3]	(114)
Estimated risk-weighted assets under fully phased-in Basel III Standardized	$248,967
Estimated common equity Tier 1 capital ratio under fully phased-in Basel III Standardized[4]	11.8%

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(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 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 Rules, 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 2014 Form 10-K for additional information. Once we exit parallel run, based on clarification of the Final Basel III Capital Rules from our regulators, any difference between the Final Basel III Capital Rules definitions of expected credit losses and our eligible credit reserves will be deducted from our Basel III Standardized Approach numerator, subject to transition provisions. Inclusive of this impact, based on current rules and our business mix, we estimate that our Basel III Advanced Approaches ratios will be lower than our Standardized Approach ratios.

Capital Planning and Regulatory Stress Testing

In November 2011, the Federal Reserve finalized capital planning rules applicable to large bank holding companies like us. Under these rules, bank holding companies with consolidated assets of $50 billion or more must submit a capital plan to the Federal Reserve related to the Comprehensive Capital Analysis and Review ("CCAR") on an annual basis that contains a description of all planned capital actions, including dividends or stock repurchases, over a nine-quarter planning horizon beginning with the fourth quarter of the calendar year prior to the submission of the capital plan ("CCAR Cycle"). The bank holding company may take the capital actions in its capital plan if the Federal Reserve provides a non-objection to the plan. On October 17, 2014, the Federal Reserve issued a final rule to modify the regulations for capital planning and stress testing. The final rule changes the annual capital plan and stress test cycle start date from October 1 to January 1, effective for the cycle beginning January 1, 2016. To allow for a transition to the change in timing, the Federal Reserve's objection or non-objection applied to the capital actions spanning the five quarters starting with the second quarter of 2015 for the 2015 CCAR cycle. Subsequent submissions each would cover a four-quarter period. For additional information on the Final Rule, see "Part 1—Item 1. Business—Supervision and Regulation" in our 2014 Form 10-K. On July 17, 2015, the Federal Reserve issued a proposal to modify its capital planning and stress testing regulations, which would take effect for the 2016 capital plan and stress testing cycles. The proposal removes the requirement for organizations to calculate a Tier 1 common ratio in

their stress tests and delays the incorporation of the supplementary leverage ratio for applicable banks like us until the 2017 cycle. In addition, the proposal indefinitely delays the use of Advanced Approaches risk-weighted assets in stress testing.

On January 5, 2015 we submitted our capital plan to the Board of Directors of the Federal Reserve as part of the 2015 CCAR cycle. On March 11, 2015, the Board of Governors of the Federal Reserve publicly disclosed its non-objection to our proposed capital distribution plans submitted pursuant to CCAR. As a result of this non-objection to our capital plan, the Board of Directors also authorized an increase in the quarterly dividend on our common stock from the previous level of $0.30 per share to $0.40 per share. In addition, the Company's Board of Directors has authorized the repurchase of up to $3.125 billion of shares of the Company's

common stock beginning in the second quarter of 2015 through the end of the second quarter of 2016, in addition to share repurchases related to employee compensation.

Equity Offerings and Transactions

On August 24, 2015, the Company issued and sold 20,000,000 Depositary Shares, each representing a 1/40th interest in a share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series F, $0.01 par value, with a liquidation preference of $25 per Depositary Share (the "Series F Preferred Stock"). The net proceeds of the offering of Series F Preferred Stock were approximately $484 million, after deducting underwriting commissions and offering expenses. Dividends will accrue on the Series F Preferred Stock at a rate of 6.20% per annum, payable quarterly in arrears. Under the terms of the Series F Preferred Stock, the ability of the Company 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 Series F 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 Series F Preferred Stock for the immediately preceding dividend period.

Dividend Policy and Stock Purchases

On October 29, 2015, our Board of Directors declared a quarterly common stock dividend of $0.40 per share, payable on November 19, 2015 to stockholders of record at the close of the business on November 9, 2015. Our Board of Directors also approved quarterly dividends on our 6.00% fixed-rate non-cumulative perpetual preferred stock, Series B (the "Series B Preferred Stock"), our 6.25% fixed-rate non-cumulative perpetual preferred stock, Series C (the "Series C Preferred Stock"), our 6.70% fixed-rate non-cumulative perpetual preferred stock, Series D (the "Series D Preferred Stock") and our Series F Preferred Stock, as well as semi-annual dividends on our fixed-to-floating rate non-cumulative perpetual preferred stock, Series E (the "Series E Preferred Stock") payable on December 1, 2015 to stockholders of record at the close of business on November 16, 2015. Based on these declarations, the Company will pay approximately $213 million in common equity dividends and approximately $68 million in total preferred dividends in the fourth quarter of 2015. Under the terms of our outstanding preferred stock, the ability of the Company 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 third quarter of 2015. 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; and $16.75 per share on the outstanding shares of our Series D Preferred Stock during the third quarter of 2015.

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, 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 bank holding company. As of September 30, 2015, funds available for dividend payments from COBNA and CONA were $2.4 billion and $164 million, respectively. There can be no assurance that we will declare and pay any dividends to stockholders.

In addition, consistent with our 2015 capital plan, our Board of Directors has 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. Through the end of the third quarter of 2015, we repurchased approximately $1.3 billion of common stock as part of the 2015 Stock Repurchase Program.

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 2014 Form 10-K.

Table of Contents

RISK MANAGEMENT

Overview

We use a risk framework to manage risk. We execute against our risk management 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, and for mitigating our overall risk exposure. The first line formulates strategy and operates within the risk appetite and framework. 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 capacity, risk appetite, and the strategies, policies and structure for managing risks. The second line owns the risk framework. 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 governance processes are well-designed and working as intended.

Our risk framework consists of the following eight key elements:

- 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
- Enable with 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 2014 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, 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 "Consolidated Balance Sheets Analysis—Investment Securities" and credit risk related to derivative transactions in "Note 9—Derivative Instruments and Hedging Activities."

Loan 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 2014 Form 10-K.

Table of Contents

Our loan portfolio consists of loans held for investment, including restricted loans underlying our consolidated securitization trusts and loans held for sale. Table 17 presents the composition of our portfolio of loans held for investment, including Acquired Loans, by portfolio segment, as of September 30, 2015 and December 31, 2014. 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 $566 million and $626 million as of September 30, 2015 and December 31, 2014, respectively.

Table 17: Loan Portfolio Composition

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Loans	% of Total	Loans	% of Total
Credit Card:				
Domestic credit card[1]	$82,178	38.5%	$77,704	37.3%
International credit card	7,957	3.7	8,172	3.9
Total credit card	90,135	42.2	85,876	41.2
Consumer Banking:				
Auto	41,052	19.3	37,824	18.2
Home loan	26,340	12.3	30,035	14.4
Retail banking	3,598	1.7	3,580	1.7
Total consumer banking	70,990	33.3	71,439	34.3
Commercial Banking:				
Commercial and multifamily real estate	23,585	11.0	23,137	11.1
Commercial and industrial	27,873	13.1	26,972	12.9
Total commercial lending	51,458	24.1	50,109	24.0
Small-ticket commercial real estate	654	0.3	781	0.4
Total commercial banking	52,112	24.4	50,890	24.4
Other loans	92	0.1	111	0.1
Total loans held for investment	$213,329	100.0%	$208,316	100.0%

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(1) Includes installment loans of $97 million and $144 million as of September 30, 2015 and December 31, 2014, 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 loan portfolio (excluding loans held for sale) by industry classification as of September 30, 2015 and December 31, 2014.

Table of Contents

Table 18: Commercial Loans by Industry[1]

(Percentage of portfolio)	September 30, 2015	December 31, 2014
Real estate	40%	41%
Finance and insurance	13	12
Oil and gas	6	7
Healthcare	5	5
Business services	5	5
Public administration	5	5
Construction and land	5	4
Educational services	5	4
Retail trade	4	4
Transportation	3	4
Other	9	9
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.

Acquired Loans

Our portfolio of loans held for investment includes loans acquired in the ING Direct, CCB and 2012 U.S. card acquisitions. See "MD&A—Glossary and Acronyms" for the definition of ING Direct, CCB and 2012 U.S. card acquisitions. These loans were recorded at fair value at the date of each acquisition. Acquired Loans are accounted for based on the cash flows expected to be collected, which were $19.7 billion as of September 30, 2015 compared to $23.5 billion as of December 31, 2014.

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 2014 Form 10-K for additional information on Acquired Loans.

Home Loans

The majority of our home loan portfolio was acquired in the ING Direct and CCB acquisitions. These acquisitions also represent 99.2% and 98.9% of our total Acquired Loans as of September 30, 2015 and December 31, 2014, respectively. The expected cash flows for our acquired 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, Acquired Loans are not initially 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.

34	Capital One Financial Corporation (COF)

Table of Contents

Table 19 presents the relative size of Acquired Loans in our home loan portfolio, by lien priority.

Table 19: Home Loans - Risk Profile by Lien Priority

	September 30, 2015					
	Loans		Acquired Loans		Total Home Loans	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total
Lien type:						
1st lien	$5,764	21.9%	$19,246	73.1%	$25,010	95.0%
2nd lien	1,000	3.8	330	1.2	1,330	5.0
Total	$6,764	25.7%	$19,576	74.3%	$26,340	100.0%
	December 31, 2014					
	Loans		Acquired Loans		Total Home Loans	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total
Lien type:						
1st lien	$5,756	19.2%	$22,883	76.2%	$28,639	95.4%
2nd lien	1,038	3.4	358	1.2	1,396	4.6
Total	$6,794	22.6%	$23,241	77.4%	$30,035	100.0%

See "Note 4—Loans" in this Report for additional credit quality information. See "Note 1—Summary of Significant Accounting Policies" in our 2014 Form 10-K for information on our accounting policies for Acquired 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 the Acquired Loans in our home loan portfolio as of September 30, 2015. 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 - Acquired Loans - Home Loan Portfolio[1]

(Dollars in millions)	September 30, 2015	Estimated Impact
Expected cash flows	$ 23,159	$(63)
Accretable yield	3,610	77
Allowance for loan and lease losses	27	140

(1) The estimated impact is the change in the balance as of September 30, 2015 from the hypothetical decline of 10% in the home price index. 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

Table of Contents

our management of credit lines and collection strategies based on customer behavior and risk profile changes. We 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 credit card and auto loan portfolios as of September 30, 2015, December 31, 2014 and September 30, 2014.

Table 21: Credit Score Distribution

(Percentage of portfolio)	September 30, 2015	December 31, 2014	September 30, 2014
Domestic credit card - Refreshed FICO scores:[1]			
Greater than 660	66%	68%	68%
660 or below	34	32	32
Total	100%	100%	100%
Auto - At origination FICO scores:[2]			
Greater than 660	50%	47%	46%
621 - 660	17	17	16
620 or below	33	36	38
Total	100%	100%	100%

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(1) Credit scores generally represent 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 2014 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 2014 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 "Business Segment Financial Performance."

Table of Contents

Table 22 presents our 30+ day performing delinquency rates and 30+ day delinquency rates of our portfolio of loans held for investment, including Acquired Loans, by portfolio segment, as of September 30, 2015 and December 31, 2014.

Table 22: 30+ Day Delinquencies

	September 30, 2015				December 31, 2014			
	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	$2,697	3.28%	$2,697	3.28%	$2,538	3.27%	$2,538	3.27%
International credit card	224	2.81	270	3.39	240	2.94	294	3.60
Total credit card	2,921	3.24	2,967	3.29	2,778	3.24	2,832	3.30
Consumer Banking:								
Auto	2,503	6.10	2,704	6.59	2,486	6.57	2,682	7.09
Home loan[(2)]	47	0.18	248	0.94	64	0.21	302	1.01
Retail banking	22	0.62	43	1.20	23	0.64	40	1.11
Total consumer banking[(2)]	2,572	3.62	2,995	4.22	2,573	3.60	3,024	4.23
Commercial Banking:								
Commercial and multifamily real estate	60	0.25	64	0.27	85	0.37	117	0.51
Commercial and industrial	58	0.21	251	0.90	15	0.05	73	0.27
Total commercial lending	118	0.23	315	0.61	100	0.20	190	0.38
Small-ticket commercial real estate	2	0.36	6	0.97	6	0.72	10	1.28
Total commercial banking	120	0.23	321	0.62	106	0.21	200	0.39
Other loans	3	3.81	11	11.59	3	2.84	14	12.23
Total[(2)]	$5,616	2.63	$6,294	2.95	$5,460	2.62	$6,070	2.91

(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 Acquired Loans as applicable.

(2) Excluding the impact of Acquired Loans, the 30+ day performing delinquency rate for our home loan portfolio, total consumer banking and total loans held for investment was 0.69%, 5.01% and 2.90%, respectively, as of September 30, 2015, and 0.94%, 5.34%, and 2.95%, respectively, as of December 31, 2014. Excluding the impact of Acquired Loans, the 30+ day delinquency rate for our home loan portfolio, total consumer banking and total loans held for investment was 3.66%, 5.83% and 3.25%, respectively, as of September 30, 2015, and 4.45%, 6.28%, and 3.28%, respectively, as of December 31, 2014.

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

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

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Amount	% of Total Loans[(1)]	Amount	% of Total Loans[(1)]
Total loans held for investment	$213,329	100.00%	$208,316	100.00%
Delinquency status:				
30 – 59 days	$2,899	1.36%	$2,841	1.36%
60 – 89 days	1,546	0.72	1,424	0.68
90 + days	1,849	0.87	1,805	0.87
Total	$6,294	2.95%	$6,070	2.91%
Geographic region:				
Domestic	$6,024	2.82%	$5,776	2.77%

International	270	0.13	294	0.14
Total	$6,294	2.95%	$6,070	2.91%

(1) Calculated by dividing loans in each delinquency status category or geographic region as of the end of the period by the total loans held for investment, including Acquired Loans accounted for based on expected cash flows.

Table of Contents

Table 24 summarizes loans that were 90+ days delinquent as to interest or principal and still accruing interest as of September 30, 2015 and December 31, 2014. 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 generally 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

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Amount	% of Total Loans[1]	Amount	% of Total Loans[1]
Loan category:				
Credit card	$1,261	1.40%	$1,254	1.46%
Consumer banking	—	0.00	1	0.00
Commercial banking	1	0.00	8	0.01
Total	$1,262	0.59	$1,263	0.61
Geographic region:				
Domestic	$1,197	0.58%	$1,190	0.59%
International	65	0.82	73	0.90
Total	$1,262	0.59	$1,263	0.61

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(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 property and repossessed assets and the net realizable value of auto loans that have been charged-off as a result of a bankruptcy. Nonperforming loans generally include loans that have been placed on nonaccrual status and certain restructured loans whose contractual terms have been modified in a manner that grants a concession to a borrower experiencing financial difficulty. See "Note 1—Summary of Significant Accounting Policies" in our 2014 Form 10-K for information on our policies for classifying loans as nonperforming for each of our loan categories.

Table of Contents

Table 25 presents comparative information on nonperforming loans, by portfolio segment, and other nonperforming assets as of September 30, 2015 and December 31, 2014. 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 “Business Segment Financial Performance.”

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

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Amount	% of Total Loans HFI	Amount	% of Total Loans HFI
Nonperforming loans held for investment:				
Credit Card:				
International credit card	$61	0.77%	$70	0.86%
Total credit card	61	0.07	70	0.08
Consumer Banking:				
Auto	201	0.49	197	0.52
Home loan[2]	310	1.18	330	1.10
Retail banking	27	0.74	22	0.61
Total consumer banking[2]	538	0.76	549	0.77
Commercial Banking:				
Commercial and multifamily real estate	8	0.03	62	0.27
Commercial and industrial	441	1.58	106	0.39
Total commercial lending	449	0.87	168	0.33
Small-ticket commercial real estate	4	0.65	7	0.96
Total commercial banking	453	0.87	175	0.34
Other loans	11	12.10	15	13.37
Total nonperforming loans held for investment[2][3]	$1,063	0.50	$809	0.39
Other nonperforming assets:[4]				
Foreclosed property[5]	$119	0.05%	$139	0.06%
Other assets[6]	188	0.09	183	0.09
Total other nonperforming assets	307	0.14	322	0.15
Total nonperforming assets	$1,370	0.64	$1,131	0.54

(1) We recognized interest income for loans classified as nonperforming of $27 million and $22 million in the first nine months of 2015 and 2014, respectively. Interest income forgone related to nonperforming loans was $42 million and $33 million in the first nine months of 2015 and 2014, respectively. Forgone 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 Acquired Loans, the nonperforming loan rate for our home loan portfolio, total consumer banking and total nonperforming loans held for investment was 4.59%, 1.05% and 0.55%, respectively, as of September 30, 2015, compared to 4.86%, 1.14% and 0.44%, respectively, as of December 31, 2014.

(3) Excluding the impact of domestic credit card loans, nonperforming loans as a percentage of total loans held for investment was 0.81% and 0.62% as of September 30, 2015 and December 31, 2014, 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 foreclosed properties related to Acquired Loans of $97 million and $101 million as of September 30, 2015 and December 31, 2014, 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.

39	Capital One Financial Corporation (COF)

Table of Contents

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 exclude accrued and unpaid finance charges and fees and fraud losses from charge-offs. Net charge-offs are recorded as a reduction to the allowance for loan and lease losses and subsequent recoveries of previously charged-off amounts are credited to the allowance for loan and lease losses. Costs incurred 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. Our charge-off policy for loans varies based on the loan type. See "Note 1—Summary of Significant Accounting Policies" in our 2014 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 third quarter and first nine months of 2015 and 2014.

Table 26: Net Charge-Offs

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		2015		2014	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]
Credit Card:								
Domestic credit card	$619	3.08%	$508	2.83%	$1,933	3.35%	$1,818	3.45%
International credit card	36	1.80	64	3.32	144	2.41	219	3.81
Total credit card	655	2.96	572	2.88	2,077	3.26	2,037	3.48
Consumer Banking:								
Auto	188	1.85	176	1.98	457	1.54	421	1.65
Home loan[2]	1	0.01	2	0.02	6	0.03	12	0.05
Retail banking	14	1.53	12	1.36	35	1.30	27	1.00
Total consumer banking[2]	203	1.14	190	1.07	498	0.93	460	0.87
Commercial Banking:								
Commercial and multifamily real estate	(9)	(0.15)	(5)	(0.10)	(13)	(0.07)	(5)	(0.03)
Commercial and industrial	41	0.61	(1)	(0.01)	54	0.26	3	0.02
Total commercial lending	32	0.26	(6)	(0.05)	41	0.11	(2)	0.00
Small-ticket commercial real estate	1	0.50	—	(0.01)	2	0.37	3	0.44
Total commercial banking	33	0.26	(6)	(0.05)	43	0.11	1	0.00
Other loans	(1)	(5.50)	0	(0.61)	(1)	(1.40)	1	0.33
Total net charge-offs[2]	$890	1.69	$756	1.52	$2,617	1.68	$2,499	1.70
Average loans held for investment	$211,227		$199,422		$207,608		$196,068	
Average loans held for investment (excluding Acquired Loans)	191,111		174,318		186,165		169,616	

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

(2) Excluding the impact of Acquired Loans, the net charge-off rates for our home loan portfolio, total consumer banking and total loans held for investment were 0.05%, 1.58% and 1.86%, respectively, for the three months ended September 30, 2015, compared to 0.11%, 1.65% and 1.73%, respectively, for the three months ended September 30, 2014; and 0.11%, 1.33% and 1.87% respectively, for the nine months ended September 30, 2015, compared to 0.22%, 1.37% and 1.96%, respectively, for the nine months ended September 30, 2014.

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

Table of Contents

Loan Modifications and 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 September 30, 2015 and December 31, 2014. It excludes loan modifications that do not meet the definition of a TDR and Acquired Loans accounted for based on expected cash flows, which we track and report separately.

Table 27: Loan Modifications and Restructurings

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Amount	% of Total Modifications	Amount	% of Total Modifications
Modified and restructured loans:				
Credit card	$666	40.6%	$692	41.9%
Consumer banking:				
Auto	475	28.9	435	26.3
Home loan	223	13.6	218	13.2
Retail banking	41	2.5	35	2.1
Total consumer banking	739	45.0	688	41.6
Commercial banking	237	14.4	272	16.5
Total	$1,642	100.0%	$1,652	100.0%
Status of modified and restructured loans:				
Performing	$1,206	73.5%	$1,203	72.8 %
Nonperforming	436	26.5	449	27.2
Total	$1,642	100.0%	$1,652	100.0%

The majority of our credit card TDRs involve reducing the interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months. We determine the effective interest rate for purposes of measuring impairment on modified loans that involve a reduction and are considered to be a TDR based on the interest rate in effect immediately prior to the loan entering the modification program. In some cases, the interest rate on a credit card account is automatically increased 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, with the amount of any loan outstanding reflected in the appropriate delinquency category. The loan amount may then be charged off in accordance with our standard charge-off policy.

In the Consumer Banking business, the majority of our modified loans receive an extension, while a portion receive an interest rate reduction or 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 modified loans 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 Acquired Loans accounted for based on expected cash flows because this accounting methodology takes into consideration future credit losses expected to be incurred.

Table of Contents

Impaired loans, including TDRs, totaled $2.2 billion and $1.9 billion as of September 30, 2015 and December 31, 2014, respectively. Loans modified in TDRs accounted for $1.6 billion and $1.7 billion of impaired loans as of September 30, 2015 and December 31, 2014 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."

Allowance for Loan and Lease Losses

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 2014 Form 10-K.

Our allowance for loan and lease losses increased by $464 million to $4.8 billion as of September 30, 2015 from December 31, 2014. The allowance coverage ratio increased by 17 basis points to 2.27% as of September 30, 2015 from December 31, 2014. The increase in the allowance for loan and lease losses was primarily driven by continued loan growth, coupled with our expectations for rising charge-off rates in our domestic credit card portfolio, as well as adverse market conditions impacting our oil and gas portfolios and the taxi-lending component of our transportation loan portfolio within our Commercial Banking business.

Table 28 presents changes in our allowance for loan and lease losses for the third quarter and first nine months of 2015 and 2014, and details the provision for credit losses recognized in our consolidated statements of income and charge-offs and recoveries by portfolio segment.

Table of Contents

Table 28: Allowance for Loan and Lease Losses Activity

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2015	2014	2015	2014
Balance at beginning of period	$4,676	$3,998	$4,383	$4,315
Provision for credit losses[1]	1,077	988	3,119	2,412
Charge-offs:				
Credit Card:				
Domestic credit card	(835)	(768)	(2,649)	(2,599)
International credit card	(95)	(117)	(291)	(376)
Total credit card	(930)	(885)	(2,940)	(2,975)
Consumer Banking:				
Auto	(264)	(245)	(700)	(633)
Home loan	(5)	(4)	(14)	(23)
Retail banking	(17)	(15)	(47)	(44)
Total consumer banking	(286)	(264)	(761)	(700)
Commercial Banking:				
Commercial and multifamily real estate	(3)	(1)	(4)	(3)
Commercial and industrial	(43)	(1)	(60)	(11)
Total commercial lending	(46)	(2)	(64)	(14)
Small-ticket commercial real estate	(1)	(2)	(3)	(5)
Total commercial banking	(47)	(4)	(67)	(19)
Other loans	—	(2)	(5)	(8)
Total charge-offs	(1,263)	(1,155)	(3,773)	(3,702)
Recoveries:				
Credit Card:				
Domestic credit card	216	260	716	781
International credit card	59	53	147	157
Total credit card	275	313	863	938
Consumer Banking:				
Auto	76	69	243	212
Home loan	4	2	8	11
Retail banking	3	3	12	17
Total consumer banking	83	74	263	240
Commercial Banking:				
Commercial and multifamily real estate	12	6	17	8
Commercial and industrial	2	2	6	8
Total commercial lending	14	8	23	16
Small-ticket commercial real estate	—	2	1	2
Total commercial banking	14	10	24	18
Other loans	1	2	6	7
Total recoveries	373	399	1,156	1,203
Net charge-offs	(890)	(756)	(2,617)	(2,499)
Other changes[2]	(16)	(18)	(38)	(16)
Balance at end of period	$4,847	$4,212	$4,847	$4,212
Allowance for loan and lease losses as a percentage of loans held for investment			2.27%	2.09%

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(1) The total provision for credit losses reported in our consolidated statements of income consists of a provision for loan and lease losses and a provision for unfunded lending commitments. This table only presents the provision for loan and lease losses and does not include the provision for unfunded lending commitments of $15 million and $37 million in the third quarter and first nine months of 2015, respectively, and a provision of $5 million and $20 million in the third quarter and first nine months of 2014, respectively.

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

Table of Contents

Table 29 presents an allocation of our allowance for loan and lease losses by portfolio segment as of September 30, 2015 and December 31, 2014.

Table 29: Allocation of the Allowance for Loan and Lease Losses

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Amount	% of Total Loans HFI	Amount	% of Total Loans HFI
Credit Card:				
Domestic credit card	$3,196	3.89%	$2,878	3.70%
International credit card	288	3.62	326	3.99
Total credit card	3,484	3.86	3,204	3.73
Consumer Banking:				
Auto	734	1.79	661	1.75
Home loan[(1)]	60	0.23	62	0.21
Retail banking	66	1.86	56	1.58
Total consumer banking[(1)]	860	1.21	779	1.09
Commercial Banking:				
Commercial and multifamily real estate	137	0.58	155	0.67
Commercial and industrial	358	1.28	229	0.85
Total commercial lending	495	0.96	384	0.77
Small-ticket commercial real estate	4	0.64	11	1.43
Total commercial banking	499	0.96	395	0.78
Other loans	4	4.71	5	4.68
Total allowance for loan and lease losses	$4,847	2.27	$4,383	2.10
Total allowance coverage ratios:				
Period-end loans held for investment	$213,329	2.27	$208,316	2.10
Period-end loans held for investment (excluding Acquired Loans)	193,586	2.49	184,816	2.36
Nonperforming loans[(2)]	1,063	455.84	809	541.86
Allowance coverage ratios by loan category:[(3)]				
Credit card (30+ day delinquent loans)	2,967	117.40	2,832	113.13
Consumer banking (30+ day delinquent loans)	2,995	28.74	3,024	25.76
Commercial banking (nonperforming loans)	453	110.13	175	225.86

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(1) Excluding the impact of Acquired Loans, the coverage ratios for our home loan portfolio and total consumer banking were 0.47% and 1.62%, respectively, as of September 30, 2015, compared to 0.52% and 1.56%, respectively, as of December 31, 2014.

(2) The allowance for loan and lease losses for both of nonperforming and performing loans as a percentage of nonperforming loans, excluding the allowance for loan and lease losses related to our domestic credit card loans, was 155.35% and 186.07% as of September 30, 2015 and December 31, 2014, respectively.

(3) Calculated based on the total allowance for loan and lease losses divided by the outstanding balance of loans within the specified loan category.

LIQUIDITY RISK PROFILE

We have established liquidity practices that are intended to ensure 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 of Contents

Table 30 below presents the composition of our liquidity reserves as of September 30, 2015 and December 31, 2014.
Table 30: Liquidity Reserves

(Dollars in millions)	September 30, 2015	December 31, 2014
Cash and cash equivalents	$6,837	$7,242
Investment securities available for sale, at fair value	39,431	39,508
Investment securities held to maturity, at fair value	24,913	23,634
Total investment securities portfolio[1][2]	64,344	63,142
FHLB borrowing capacity secured by loans	28,321	29,547
Outstanding FHLB advances and letters of credit secured by loans	(4,739)	(17,720)
Investment securities encumbered for Public Funds and others	(10,381)	(10,631)
Total liquidity reserves	$84,382	$71,580

(1) The weighted-average life of our securities was approximately 5.7 years as of both September 30, 2015 and December 31, 2014.

(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 $2.1 billion and $3.5 billion as of September 30, 2015 and December 31, 2014, respectively. We also pledged securities held to maturity with a carrying value of $8.7 billion and $9.0 billion as of September 30, 2015 and December 31, 2014, respectively.

Our liquidity reserves increased by $12.8 billion in the first nine months of 2015 to $84.4 billion as of September 30, 2015 from December 31, 2014. This increase was primarily driven by lower FHLB advances resulting from lower liquidity-related short-term funding needs due to expected seasonality and increased long-term debt issuance. See "MD&A—Risk Management" in our 2014 Form 10-K for additional information on our management of liquidity risk.

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"). 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, as defined and calculated in accordance with the haircuts and limitations of the Final LCR Rule, by its estimated net cash outflow, which are determined by applying assumed outflow factors in the Final LCR Rule.

The Final LCR Rule phases-in the minimum LCR standard as follows: 80% by January 1, 2015; 90% by January 1, 2016; and 100% by January 1, 2017 and thereafter. 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. At September 30, 2015, 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 new 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 statement to the amount or number of such securities that we may offer and sell, subject to market conditions.

In addition to our issuance capacity under the shelf registration statement, we also have access to FHLB advances with a maximum borrowing capacity of $28.4 billion as of September 30, 2015, of which $23.7 billion was still available to us to borrow as of September 30, 2015. To secure this borrowing capacity, we pledged loan collateral with an outstanding balance of $34.1 billion and security collateral with a fair value of $11 million as of September 30, 2015.

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 $213 million and $807 million as of September 30, 2015 and December 31, 2014, respectively, which was determined in part based on our outstanding advances. We also have access to the Federal Reserve Discount Window

Table of Contents

through which we had a borrowing capacity of $14.8 billion as of September 30, 2015. Although available, we do not view this borrowing capacity as a primary source of liquidity and did not utilize it in 2014 or the first nine months of 2015.

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 purchase of federal funds, the issuance of brokered deposits, FHLB advances secured by certain portions of our loan and securities portfolios, the issuance of senior and subordinated notes, the issuance of securitized debt obligations 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 a comparison of the composition of our deposits, average balances, interest expense and average deposit rates for the first nine months of 2015 and full year of 2014.

Table 31: Deposit Composition and Average Deposit Rates

	Nine Months Ended September 30, 2015				
(Dollars in millions)	Period End Balance	Average Balance	Interest Expense	% of Average Deposits	Average Deposit Rate
Non-interest bearing accounts	$25,055	$25,076	N/A	12.0%	N/A
Interest-bearing checking accounts[1]	42,771	42,631	$156	20.3	0.49%
Saving deposits[2]	133,094	132,306	578	63.2	0.58
Time deposits less than $100,000	9,027	6,221	49	3.0	1.04
Total core deposits	209,947	206,234	783	98.5	0.51
Time deposits of $100,000 or more	2,024	2,080	28	1.0	1.85
Foreign time deposits[3]	932	1,020	3	0.5	0.34
Total deposits	$212,903	$209,334	$814	100.0%	0.52

	Twelve Months Ended December 31, 2014				
(Dollars in millions)	Period End Balance	Average Balance	Interest Expense	% of Average Deposits	Average Deposit Rate
Non-interest bearing accounts	$25,081	$24,639	N/A	12.0%	N/A
Interest-bearing checking accounts[1]	41,022	41,702	$204	20.3	0.49%
Saving deposits[2]	130,156	129,868	752	63.1	0.58
Time deposits less than $100,000	6,051	5,856	75	2.8	1.29
Total core deposits	202,310	202,065	1,031	98.2	0.51
Time deposits of $100,000 or more	2,261	2,560	53	1.3	2.07
Foreign time deposits[3]	977	1,050	4	0.5	0.34
Total deposits	$205,548	$205,675	$1,088	100.0%	0.53

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(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 September 30, 2015 and December 31, 2014.

Our deposits include brokered deposits, which we obtained through the use of third-party intermediaries. Those brokered deposits are reported as saving deposits and time deposits in the above table and totaled $10.5 billion and $5.1 billion as of September 30, 2015 and December 31, 2014, respectively.

The Federal Deposit Issuance Corporation ("FDIC") limits the use of brokered deposits to "well-capitalized" insured depository institutions and, with a waiver from the FDIC, to "adequately capitalized" institutions. COBNA and CONA

were “well-capitalized,”

Table of Contents

as defined under the federal banking regulatory guidelines, as of both September 30, 2015 and December 31, 2014, and therefore were permitted to maintain brokered deposits.

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 obligation transactions, 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.

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, decreased by $16.1 billion to $1.0 billion as of September 30, 2015 from December 31, 2014 due to a decrease of $16.2 billion in short-term FHLB advances, partially offset by an increase of $141 million in federal funds purchased and securities loaned or sold under agreements to repurchase during the first nine months of 2015. The decrease in short-term FHLB advances was primarily driven by lower liquidity-related short-term funding needs due to expected seasonality and increased long-term debt issuance.

Our long-term debt, which primarily consists of securitized debt obligations, senior and subordinated notes, and long-term FHLB advances, increased by $10.4 billion, to $41.8 billion as of September 30, 2015 from December 31, 2014. The increase was primarily attributable to net increases of $3.2 billion in long-term callable FHLB advances, $4.0 billion in securitized debt obligations and $3.1 billion in unsecured notes.

Table 32 displays the maturity profile, based on contractual maturities, of our short-term borrowings and long-term debt including securitized debt obligations, senior and subordinated notes and other borrowings as of September 30, 2015, and the outstanding balances as of December 31, 2014.

Table 32: Contractual Maturity Profile of Outstanding Debt

	September 30, 2015							
(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, 2014
Short-term borrowings:								
Federal funds purchased and securities loaned or sold under agreements to repurchase	$1,021	$—	$—	$—	$—	$—	$1,021	$880
FHLB advances	—	—	—	—	—	—	—	16,200
Total short-term borrowings	1,021	—	—	—	—	—	1,021	17,080
Long-term debt:								
Securitized debt obligations	3,096	8,013	1,964	1,138	1,087	358	15,656	11,624
Senior and subordinated notes:								
Unsecured senior debt	2,003	3,638	4,113	4,178	—	5,187	19,119	16,054
Unsecured subordinated debt	1,045	—	—	327	—	1,282	2,654	2,630
Total senior and subordinated notes	3,048	3,638	4,113	4,505	—	6,469	21,773	18,684
Other long-term borrowings:								

FHLB advances	6	34	11	2	—	4,251	4,304	1,069
Capital lease obligations	—	—	1	1	1	21	24	—
Total other long-term borrowings	6	34	12	3	1	4,272	4,328	1,069
Total long-term debt[1]	6,150	11,685	6,089	5,646	1,088	11,099	41,757	31,377
Total short-term borrowings and long-term debt	$7,171	$ 11,685	$6,089	$ 5,646	$ 1,088	$ 11,099	$42,778	$ 48,457
Percentage of total	17%	27%	14%	13%	3%	26%	100%	100%

(1) Includes unamortized discounts, premiums and other cost basis adjustments, which together resulted in a net reduction of $227 million and $233 million as of September 30, 2015 and December 31, 2014, respectively.

Table of Contents

We provide additional information on our short-term borrowings and long-term debt under "Consolidated Balance Sheets Analysis—Securitized Debt Obligations," "Consolidated Balance Sheets Analysis—Other Debt" and in "Note 8—Depo 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 September 30, 2015 and December 31, 2014.

Table 33: Senior Unsecured Debt Credit Ratings

	September 30, 2015			December 31, 2014		
	Capital One Financial Corporation	Capital One Bank (USA), N.A.	Capital One, N.A.	Capital One Financial Corporation	Capital One Bank (USA), N.A.	Capital One, N.A.
Moody's	Baa1	Baa1	Baa1	Baa1	A3	A3
S&P	BBB	BBB+	BBB+	BBB	BBB+	BBB+
Fitch	A-	A-	A-	A-	A-	A-

As of November 2, 2015, Moody's, S&P and Fitch have us on a stable outlook. On March 17, 2015, Moody's announced that they would be adopting a new bank rating methodology that could potentially result in changes in the ratings of the securities of many banks, including Capital One. As a result of this adoption, on May 14, 2015, COF's subordinated debt and preferred stock ratings received upgrades, while on June 19, 2015, COBNA and CONA's senior unsecured debt ratings received a one level downgrade.

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 entering into net investment hedges to manage our AOCI exposure. We apply hedge accounting to both intercompany funding hedges and net investment hedges.

We measure our total exposure by regularly tracking the equity value of our net equity invested in our U.K. and Canadian foreign operations as well as their funding requirements. We apply a 30 percent U.S. dollar appreciation shock against each of our Great

48	Capital One Financial Corporation (COF)

Table of Contents

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 and 1.3 billion GBP as of September 30, 2015 and December 31, 2014, respectively, and 664 million CAD and 581 million CAD as of September 30, 2015 and December 31, 2014, 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 or 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. 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 $94.0 billion as of September 30, 2015, compared to $88.6 billion as of December 31, 2014, 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 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, and since then has remained in a target range of 0% to 0.25%, 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 an instantaneous +200 basis points and -50 basis points shock, 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 and -50 basis points to spot rates, with the lower rate scenario limited to zero as described above.

Table of Contents

Table 34 shows the estimated percentage impact on our projected base-line net interest income and economic value of equity, calculated under the methodology described above, as of September 30, 2015 and December 31, 2014.

Table 34: Interest Rate Sensitivity Analysis

	September 30, 2015	December 31, 2014
Estimated impact on projected base-line net interest income		
+200 basis points	3.4%	4.5%
–50 basis points	(1.7)	(2.1)
Estimated impact on economic value of equity		
+200 basis points	(2.8)	(3.4)
–50 basis points	(1.4)	(1.2)

Our projected net interest income and economic value of equity sensitivity measures were within our policy limits as of September 30, 2015 and December 31, 2014. 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 above sensitivity analysis 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.

Table of Contents

SUPERVISION AND REGULATION

On October 22, 2015, the FDIC issued a notice of proposed rulemaking implementing Section 334(e) of the Dodd-Frank Act. Section 334(e) of the Dodd-Frank Act mandates that the FDIC offset the effect of increasing the Deposit Insurance Fund ("DIF") reserve ratio from 1.15% to 1.35% on insured depository institutions with total consolidated assets of less than $10 billion. The FDIC's proposed rulemaking would impose a new quarterly deposit insurance surcharge assessment, with a quarterly rate of 1.125 basis points, on all insured depository institutions with assets of $10 billion or more (including COBNA and CONA), in addition to the regular quarterly deposit insurance assessment applicable to all insured depository institutions. The surcharge would begin the quarter after the DIF reserve ratio first reaches or exceeds 1.15% (projected by the FDIC as likely to occur during the first quarter of 2016, or as early as the fourth quarter of 2015) and would continue until the reserve ratio first reaches or exceeds 1.35%, but no later than the fourth quarter of 2018. We are in the process of evaluating this proposed rulemaking and assessing its potential impact on Capital One.

We provide additional information on our Supervision and Regulation in our 2014 Form 10-K under "Part I—Item 1. Business—Supervision and Regulation."

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 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 Act and the regulations promulgated thereunder 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 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;

Table of Contents

- 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;
- any significant disruption in our operations or technology platform;
- 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;
- our ability to control costs;
- 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;
- 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 to assist in the development, management and operation of new products and services;
- 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 2014 Form 10-K.

Table of Contents

SUPPLEMENTAL TABLE

Table A—Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures[1]

(Dollars in millions)	September 30, 2015	December 31, 2014
Period End Tangible Common Equity		
Period end stockholders' equity	$47,685	$45,053
Goodwill and intangible assets[2]	(15,153)	(15,383)
Noncumulative perpetual preferred stock[3]	(3,294)	(1,822)
Tangible common equity	$29,238	$27,848
Quarterly Average Tangible Common Equity		
Average stockholders' equity	$48,456	$45,576
Average goodwill and intangible assets[2]	(15,183)	(15,437)
Average noncumulative perpetual preferred stock[3]	(3,049)	(1,681)
Average tangible common equity	$30,224	$28,458
Period End Tangible Assets		
Period end assets	$313,700	$308,167
Goodwill and intangible assets[2]	(15,153)	(15,383)
Tangible assets	$298,547	$292,784
Quarterly Average Tangible Assets		
Average assets	$313,822	$304,153
Average goodwill and intangible assets[2]	(15,183)	(15,437)
Average tangible assets	$298,639	$288,716
Non-GAAP TCE ratio		
TCE ratio[4]	9.8%	9.5%
Capital Ratios		
Common equity Tier 1 capital ratio[5]	12.1%	12.5%
Tier 1 risk-based capital ratio[6]	13.4	13.2
Total risk-based capital ratio[7]	15.1	15.1
Tier 1 leverage ratio[8]	11.1	10.8
Supplementary leverage ratio[9]	9.6	N/A
Risk-weighted assets[10]	$249,081	$236,944
Average assets for the leverage ratio	300,010	291,243
Regulatory Capital Ratios Under Basel III Standardized Approach		
Common equity excluding AOCI	$44,533	$43,661
Adjustments:		
AOCI[11][12]	75	(69)
Goodwill[2]	(13,805)	(13,805)
Intangible Assets[2][12]	(374)	(243)
Other	(320)	(10)
Common equity Tier 1 capital	30,109	29,534
Tier 1 capital instruments[3]	3,293	1,822
Additional Tier 1 capital adjustments	—	(1)
Tier 1 capital	33,402	31,355
Tier 2 capital instruments[3]	1,155	1,542
Qualifying allowance for loan and lease losses	3,137	2,981
Additional Tier 2 capital adjustments	—	1
Tier 2 capital	4,292	4,524
Total risk-based capital[13]	$37,694	$35,879

Table of Contents

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(1) As of January 1, 2015, we changed our accounting principle to move from a gross basis of presentation to a net basis, for presenting qualifying derivative assets and liabilities, as well as the related right to reclaim cash collateral or obligation to return cash collateral. See “Note 1—Summary of Significant Accounting Policies” for additional information. Prior period results, excluding regulatory ratios, have been recast to conform to this presentation.

(2) Includes impact of related deferred taxes.

(3) Includes related surplus.

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

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

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

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

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

(9) 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.

(10) As of January 1, 2015, risk-weighted assets are calculated under the Basel III Standardized Approach, subject to transition provisions. Prior to January 1, 2015 risk-weighted assets were calculated under Basel I.

(11) Amounts presented are net of tax.

(12) Amounts based on transition provisions for regulatory capital deductions and adjustments of 20% for 2014 and 40% for 2015.

(13) Total risk-based capital equals the sum of Tier 1 capital and Tier 2 capital.

Table of Contents

Glossary and Acronyms

2012 U.S. card acquisition: On May 1, 2012, pursuant to the agreement with HSBC Finance Corporation, HSBC USA Inc. and HSBC Technology and Services (USA) Inc. (collectively, "HSBC"), we closed the acquisition of substantially all of the assets and assumed liabilities of HSBC's credit card and private label credit card business in the United States (other than the HSBC Bank USA, consumer credit card program and certain other retained assets and liabilities).

2014 Stock Repurchase Program: On March 26, 2014, we announced that our Board of Directors had authorized the repurchase of up to $2.5 billion of shares of our common stock. The 2014 Stock Repurchase Program was completed as of March 31, 2015.

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.

Acquired Loans: Refers to the substantial majority of consumer and commercial loans acquired in the ING Direct and Chevy Chase Bank acquisitions, and a limited portion of the credit card loans acquired in the 2012 U.S. card acquisition, which were recorded at fair value at acquisition and subsequently accounted for based on expected cash flows to be collected (under the accounting standard 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" or "ASC 310-30"). The difference between the fair value at acquisition and expected cash flows represents the accretable yield, which is recognized into 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. Decreases in expected cash flows from the previous estimate resulting from further credit deterioration 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. In addition, Acquired 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.

Annual Report: References to our "2014 Form 10-K" or "2014 Annual Report" or "this Report" are to our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

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 million or more. The Final Rule modified the Advanced Approaches version of Basel II to create the Basel III Advanced Approaches.

Basel III Standardized Approach: The Final 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, 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 Acquired 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 on February 27, 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.

Table of Contents

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: Credit risk is 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 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 (the "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 Issuance 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 Rules: The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued a rule implementing the Basel III capital framework developed by the Basel Committee on Banking Supervision as well as certain Dodd-Frank Act and other capital provisions.
Final LCR Rule: The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued final rules implementing the Basel III liquidity coverage ratio in the United States.
Final Rule: A capital rule finalized by the Federal Reserve, the OCC and the FDIC (collectively, the U.S. federal banking agencies) that implements the Basel III capital accord developed by the Basel Committee on Banking Supervision and incorporates certain Dodd-Frank Act capital provisions and updates to the PCA capital requirements.
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. ("GreenPoint"), 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.
Impairment: The condition when the carrying amount of an asset exceeds or is expected to exceed its fair value.
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.

56	Capital One Financial Corporation (COF)

Table of Contents

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 (Basel I guideline): Tier 1 capital divided by average assets after certain adjustments, as defined by the regulators.
Liquidity risk: Liquidity risk is 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 basis: 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: Market risk is 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.
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.

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

Table of Contents

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.
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 annualized 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 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.
Return on average tangible common equity: 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; 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: 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. In 2014, the calculation of risk weighted assets is based on the general risk-based approach, as defined by regulators.
Securitized debt obligations: A type of asset-backed security and structured credit product constructed from a portfolio of fixed-income assets.
SOP 03-3: Statement of Position 03-3 (or ASC 310-30), Accounting for Certain Loans or Debt Securities Acquired in a Transfer.
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 borrowers 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. federal banking agencies: The Federal Reserve, the OCC and the FDIC.
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: (1) lacks enough equity investment at risk to permit the entity to finance its activities without additional financial support from other parties; (2) has equity owners that lack the right to make significant decisions affecting the entity’s operations; and/or (3) 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

Table of Contents

AOCI: Accumulated other comprehensive income
ARM: Adjustable rate mortgage
ASC: Accounting Standard Codification
bps: Basis points
CAD: Canadian Dollar
CCAR: Comprehensive Capital Analysis and Review
CDE: Community development entities
CMBS: Commercial mortgage-backed securities
COEP: Capital One (Europe) plc
COF: Capital One Financial Corporation
CRA: Community Reinvestment Act
DIF: Deposit Insurance Fund
Fannie Mae: Federal National Mortgage Association
FASB: Financial Accounting Standards Board
FCA: U.K. Financial Conduct Authority
FDIC: Federal Deposit Issuance Corporation
FFIEC: Federal Financial Institutions Examination Council
FHLB: Federal Home Loan Banks
FICO: Fair Isaac Corporation (credit rating)
FIRREA: Financial Institutions Reform, Recovery, and Enforcement Act
Fitch: Fitch Ratings
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 Agencies: Government Sponsored Enterprise
HELOCs: Home Equity Lines of Credit
HFI: Held for Investment
HSBC: HSBC Finance Corporation, HSBC USA Inc. and HSBC Technology and Services (USA) Inc.
LCR: Liquidity Coverage Ratio
LIBOR: London Interbank Offered Rate
Moody's: Moody’s Investors Service
MSR: Mortgage servicing rights
NOW: Negotiable order of withdrawal
OTC: Over-the-counter
PCA: Prompt corrective action
PCCR: Purchased credit card relationship
RMBS: Residential mortgage-backed securities
S&P: Standard & Poor's
SEC: U.S. Securities and Exchange Commission
TARP: Troubled Asset Relief Program
TAV: Trade Analytics and Valuation team
TCE: Tangible Common Equity

TDR: Troubled Debt Restructuring
UCL: Unfair Competition Law
U.S.: United States of America
U.K.: United Kingdom
VAC: Valuations Advisory Committee

Item 1. Financial Statements and Notes

	Page
Consolidated Financial Statements	61
Consolidated Statements of Income	62
Consolidated Statements of Comprehensive Income	63
Consolidated Balance Sheets	64
Consolidated Statements of Changes in Stockholders' Equity	65
Consolidated Statements of Cash Flows	66
Notes to Consolidated Financial Statements	67
Note 1 — Summary of Significant Accounting Policies	67
Note 2 — Discontinued Operations	68
Note 3 — Investment Securities	69
Note 4 — Loans	77
Note 5 — Allowance for Loan and Lease Losses	93
Note 6 — Variable Interest Entities and Securitizations	96
Note 7 — Goodwill and Intangible Assets	101
Note 8 — Deposits and Borrowings	102
Note 9 — Derivative Instruments and Hedging Activities	105
Note 10 — Stockholders' Equity	110
Note 11 — Earnings Per Common Share	114
Note 12 — Fair Value Measurement	115
Note 13 — Business Segments	125
Note 14 — Commitments, Contingencies, Guarantees and Others	128

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions, except per share-related data)	2015	2014	2015	2014
Interest income:				
Loans, including loans held for sale	$4,753	$4,463	$13,824	$13,049
Investment securities	386	398	1,174	1,223
Other	25	26	77	80
Total interest income	5,164	4,887	15,075	14,352
Interest expense:				
Deposits	271	271	814	819
Securitized debt obligations	39	32	108	109
Senior and subordinated notes	82	71	241	226
Other borrowings	12	16	39	36
Total interest expense	404	390	1,202	1,190
Net interest income	4,760	4,497	13,873	13,162
Provision for credit losses	1,092	993	3,156	2,432
Net interest income after provision for credit losses	3,668	3,504	10,717	10,730
Non-interest income:				
Service charges and other customer-related fees	423	471	1,289	1,405
Interchange fees, net	555	523	1,618	1,498
Total other-than-temporary impairment	(11)	(10)	(32)	(16)
Less: Portion of other-than-temporary impairment recorded in AOCI	6	1	5	1
Net other-than-temporary impairment recognized in earnings	(5)	(9)	(27)	(15)
Other	167	157	466	427
Total non-interest income	1,140	1,142	3,346	3,315
Non-interest expense:				
Salaries and associate benefits	1,189	1,128	3,760	3,414
Occupancy and equipment	444	419	1,318	1,271
Marketing	418	392	1,180	1,052
Professional services	313	304	943	887
Communications and data processing	226	196	636	595
Amortization of intangibles	106	130	327	409
Other	464	416	1,352	1,268
Total non-interest expense	3,160	2,985	9,516	8,896
Income from continuing operations before income taxes	1,648	1,661	4,547	5,149
Income tax provision	530	536	1,443	1,696
Income from continuing operations, net of tax	1,118	1,125	3,104	3,453
(Loss) income from discontinued operations, net of tax	(4)	(44)	26	(24)
Net income	1,114	1,081	3,130	3,429
Dividends and undistributed earnings allocated to participating securities	(6)	(5)	(16)	(14)
Preferred stock dividends	(29)	(20)	(90)	(46)
Net income available to common stockholders	$1,079	$1,056	$3,024	$3,369
Basic earnings per common share:				
Net income from continuing operations	$2.01	$1.97	$5.49	$5.99
(Loss) income from discontinued operations	(0.01)	(0.08)	0.05	(0.04)

Net income per basic common share	$2.00	$1.89	$5.54	$5.95
Diluted earnings per common share:				
Net income from continuing operations	$1.99	$1.94	$5.43	$5.90
(Loss) income from discontinued operations	(0.01)	(0.08)	0.05	(0.04)
Net income per diluted common share	$1.98	$1.86	$5.48	$5.86
Dividends paid per common share	$0.40	$0.30	$1.10	$0.90

See Notes to Consolidated Financial Statements.

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2015	2014	2015	2014
Net income	$1,114	$1,081	$3,130	$3,429
Other comprehensive income (loss) before taxes:				
Net unrealized gains (losses) on securities available for sale	98	(104)	29	394
Net changes in securities held to maturity	41	35	114	96
Net unrealized gains (losses) on cash flow hedges	365	(107)	494	37
Foreign currency translation adjustments	(15)	(41)	(77)	25
Other	(15)	6	(19)	2
Other comprehensive income (loss) before taxes	474	(211)	541	554
Income tax provision (benefit) related to other comprehensive income	219	(23)	253	241
Other comprehensive income (loss), net of tax	255	(188)	288	313
Comprehensive income	$1,369	$893	$3,418	$3,742

See Notes to Consolidated Financial Statements.

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in millions, except per share data)	September 30, 2015	December 31, 2014
Assets:		
Cash and cash equivalents:		
Cash and due from banks	$ 2,701	$ 3,147
Interest-bearing deposits with banks	3,952	4,095
Federal funds sold and securities purchased under agreements to resell	184	0
Total cash and cash equivalents	6,837	7,242
Restricted cash for securitization investors	586	234
Securities available for sale, at fair value	39,431	39,508
Securities held to maturity, at carrying value	23,711	22,500
Loans held for investment:		
Unsecuritized loans held for investment	179,748	171,771
Restricted loans for securitization investors	33,581	36,545
Total loans held for investment	213,329	208,316
Allowance for loan and lease losses	(4,847)	(4,383)
Net loans held for investment	208,482	203,933
Loans held for sale, at lower of cost or fair value	566	626
Premises and equipment, net	3,629	3,685
Interest receivable	1,101	1,079
Goodwill	13,983	13,978
Other assets	15,374	15,382
Total assets	$ 313,700	$ 308,167
Liabilities:		
Interest payable	$ 198	$ 254
Deposits:		
Non-interest bearing deposits	25,055	25,081
Interest-bearing deposits	187,848	180,467
Total deposits	212,903	205,548
Securitized debt obligations	15,656	11,624
Other debt:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	1,021	880
Senior and subordinated notes	21,773	18,684
Other borrowings	4,328	17,269
Total other debt	27,122	36,833
Other liabilities	10,136	8,855
Total liabilities	266,015	263,114
Commitments, contingencies and guarantees (see Note 14)		
Stockholders' equity:		
Preferred stock (par value $.01 per share; 50,000,000 shares authorized; 3,375,000 and 1,875,000 shares issued and outstanding as of September 30, 2015 and December 31, 2014, respectively)	0	0
	6	6

Common stock (par value $.01 per share; 1,000,000,000 shares authorized; 647,867,552 and 643,557,048 shares issued as of September 30, 2015 and December 31, 2014, respectively, and 534,906,040 and 553,391,311 shares outstanding as of September 30, 2015 and December 31, 2014, respectively)		
Additional paid-in capital, net	29,594	27,869
Retained earnings	26,407	23,973
Accumulated other comprehensive loss	(142)	(430)
Treasury stock at cost (par value $.01 per share; 112,961,512 and 90,165,737 shares as of September 30, 2015 and December 31, 2014, respectively)	(8,180)	(6,365)
Total stockholders’ equity	47,685	45,053
Total liabilities and stockholders’ equity	$ 313,700	$ 308,167

See Notes to Consolidated Financial Statements.

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(Dollars in millions, except shares)	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance as of December 31, 2014	1,875,000	$0	643,557,048	$6	$27,869	$23,973	$(430)	$(6,365)	$45,053
Comprehensive income						3,130	288		3,418
Dividends—common stock			40,955	0	4	(606)			(602)
Dividends—preferred stock						(90)			(90)
Purchases of treasury stock								(1,815)	(1,815)
Issuances of common stock and restricted stock, net of forfeitures			2,180,098	0	84				84
Exercise of stock options and warrants, tax effects of exercises and restricted stock vesting			2,089,451	0	70				70
Issuance of preferred stock (Series E and Series F)	1,500,000	0			1,472				1,472
Compensation expense for restricted stock awards and stock options					95				95
Balance as of September 30, 2015	3,375,000	$0	647,867,552	$6	$29,594	$26,407	$(142)	$(8,180)	$47,685

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
(Dollars in millions)	2015	2014
Operating activities:		
Income from continuing operations, net of tax	$3,104	$3,453
Income (loss) from discontinued operations, net of tax	26	(24)
Net income	3,130	3,429
Adjustments to reconcile net income to cash provided by operating activities:		
Provision for credit losses	3,156	2,432
Depreciation and amortization, net	1,558	1,532
Net gain on sales of securities available for sale	(4)	(18)
Impairment losses on securities available for sale	27	15
Gain on sales of loans held for sale	(75)	(35)
Stock plan compensation expense	121	167
Loans held for sale:		
Originations and purchases	(5,080)	(3,355)
Proceeds from sales and paydowns	5,270	3,171
Changes in operating assets and liabilities:		
(Increase) decrease in interest receivable	(19)	150
(Increase) decrease in other assets	(193)	607
Decrease in interest payable	(56)	(58)
Increase (decrease) in other liabilities	1,234	(375)
Net cash (used) provided by discontinued operations	(64)	39
Net cash provided by operating activities	9,005	7,701
Investing activities:		
Securities available for sale:		
Purchases	(9,268)	(10,034)
Proceeds from paydowns and maturities	6,067	5,714
Proceeds from sales	3,211	6,827
Securities held to maturity:		
Purchases	(2,865)	(4,044)
Proceeds from paydowns and maturities	1,657	1,003
Loans:		
Net increase in loans held for investment	(8,678)	(8,351)
Principal recoveries of loans previously charged off	1,156	1,203
Purchases of premises and equipment	(411)	(405)
Net cash used by other investing activities	(429)	0
Net cash used by investing activities	(9,560)	(8,087)
Financing activities:		
Deposits and borrowings:		
(Increase) decrease in restricted cash for securitization investors	(352)	469
Net increase (decrease) in deposits	7,348	(265)
Issuance of securitized debt obligations	4,139	2,995
Maturities and paydowns of securitized debt obligations	(175)	(2,808)
Issuance of senior and subordinated notes and long-term FHLB advances	14,536	7,713
Maturities and paydowns of senior and subordinated notes and long-term FHLB advances	(8,443)	(2,375)

Net decrease in other short-term borrowings	(16,035)	(4,030)
Common stock:		
Net proceeds from issuances	84	73
Dividends paid	(602)	(513)
Preferred stock:		
Net proceeds from issuances	$1,472	$484
Dividends paid	(90)	(46)
Purchases of treasury stock	(1,815)	(1,543)
Proceeds from share-based payment activities	83	89
Net cash provided by financing activities	150	243
Decrease in cash and cash equivalents	(405)	(143)
Cash and cash equivalents at beginning of the period	7,242	6,291
Cash and cash equivalents at end of the period	$6,837	$6,148
Supplemental cash flow information:		
Non-cash items:		
Net transfers from loans held for investment to loans held for sale	$271	$38
Interest paid	1,321	1,248
Income tax paid	1,117	1,109

See Notes to Consolidated Financial Statements.

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
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 September 30, 2015, 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."

Basis of Presentation and Use of Estimates

The accompanying 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. Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

The 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.

Change in Accounting Principle

As of January 1, 2015, we changed our accounting principle to move from a gross basis of presentation to a net basis for presenting qualifying derivative assets and liabilities, as well as the related fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable), for instruments executed with the same counterparty where a right of setoff exists. This newly adopted policy is preferable as it more accurately reflects the Company's counterparty credit risk as well as our contractual rights and obligations under these arrangements. Further, this change aligned our presentation with that of the majority of our peer institutions.

We retrospectively adopted this change in accounting principle and our consolidated balance sheet has been recast for all prior periods presented. As a result, our interest receivable, other assets and total assets as of December 31, 2014

were reduced by $356 million, $331 million and $687 million, respectively. Interest payable, other liabilities and total liabilities decreased as of December 31, 2014 by $63 million, $624 million and $687 million, respectively. There was no impact to operating activities in the consolidated statement of cash flows or any line item within the consolidated statements of income. See "Note 9—Derivative Instruments and Hedging Activities" for additional detail on the accounting for derivative instruments.

New Accounting Standards Adopted

Accounting for Repurchase Transactions

In June 2014, the Financial Accounting Standards Board ("FASB") issued guidance that requires repurchase-to-maturity transactions to be accounted for as secured borrowings rather than sales. New disclosures are also required for certain transactions accounted for as secured borrowings and transfers accounted for as sales when the transferor retains substantially all of the exposure to the economic return on the transferred financial assets. Our adoption of the accounting guidance in the first quarter of 2015 did not have a significant impact on our financial condition, results of operations or liquidity as the guidance is consistent with our current practice. As required by the new guidance, the new disclosures were effective and have been provided beginning in the second quarter of 2015.

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued guidance clarifying that a performance target contained within a share-based payment award that affects vesting and can be achieved after the requisite service period has been completed is to be accounted for as a performance condition. Accordingly, the grantor of such awards should recognize compensation cost in the period in which it becomes probable that the performance target will be achieved. The amount of the compensation cost recognized should represent the cost attributable to the requisite service period fulfilled. Our early adoption of this guidance in the first quarter of 2015 did not have a significant impact on our financial condition, results of operations or liquidity as the guidance is consistent with our current practice.

Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the FASB issued guidance raising the threshold for a disposal to qualify as a discontinued operation. Under the new guidance, a component of an entity or group of components that has been disposed by sale, disposed of other than by sale or is classified as held for sale and that represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results should be reported as discontinued operations. Our prospective adoption of this guidance in the first quarter of 2015 did not have any effect on our consolidated financial statements due to the prospective transition provisions.

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure

In January 2014, the FASB issued guidance clarifying when an entity should reclassify a consumer mortgage loan collateralized by residential real estate to foreclosed property. Reclassification should occur when the creditor obtains legal title to the residential real estate property or when the borrower conveys all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. An entity should not wait until a redemption period, if any, has expired to reclassify a consumer mortgage loan to foreclosed property. Our adoption of this guidance in the first quarter of 2015 did not have a significant impact on our financial condition, results of operations or liquidity as the guidance is materially consistent with our current practice.

Recently Issued but Not Yet Adopted Accounting Standards

Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments

In September 2015, the FASB issued guidance on the recognition and presentation of changes to the provisional amounts recognized in a business combination. An acquirer should recognize adjustments to provisional amounts with a corresponding adjustment of goodwill, as well as the effect on earnings of changes in depreciation, amortization or other income effects, in the reporting period in which the adjustments are identified as if the accounting had been completed at the acquisition date. Disclosure is required, by line item, of the amount recorded in current period earnings that would have been recorded in previous reporting periods. We plan to early adopt the guidance in the fourth quarter of 2015 on a prospective basis with no impact to our consolidated financial statements in the period of adoption. The accounting for future business combinations will be subject to this new guidance if the initial accounting is incomplete by the end of the reporting period in which the combination occurs.

Revenue from Contracts with Customers: Deferral of the Effective Date

In August 2015, the FASB deferred by one year the effective date for revenue recognition guidance to January 1, 2018, with early adoption permitted effective January 1, 2017. 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. 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.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued guidance simplifying the presentation of debt issuance costs. Under the new guidance, the debt issuance costs related to a recognized debt liability will be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective on a retrospective basis beginning on January 1, 2016, with early adoption permitted. We plan to early adopt this guidance in the fourth quarter of 2015 and do not expect our adoption to have a material impact on our consolidated balance sheets.

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2—DISCONTINUED OPERATIONS

Shutdown of Mortgage Origination Operations of our Wholesale Mortgage Banking Unit

In the third quarter of 2007, we closed the mortgage origination operations of our wholesale mortgage banking unit, GreenPoint Mortgage Funding Inc. ("GreenPoint"), which we acquired in December 2006 as part of the North Fork Bancorporation, Inc. ("North Fork") acquisition. The results of the wholesale banking unit have been accounted for as a discontinued operation and are therefore not included in our results from continuing operations for the three and nine months ended September 30, 2015 and 2014. We have no significant continuing involvement in these operations.

The following table summarizes the results from discontinued operations related to the closure of the mortgage origination operations of our wholesale mortgage banking unit:

Table 2.1: Results of Discontinued Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2015	2014	2015	2014
Non-interest (expense) income, net	$(7)	$(70)	$41	$(38)
(Loss) income from discontinued operations before income taxes	(7)	(70)	41	(38)
Income tax (benefit) provision	(3)	(26)	15	(14)
(Loss) income from discontinued operations, net of tax	$(4)	$(44)	$26	$(24)

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. See "Note 14—Commitments, Contingencies, Guarantees and Others" for information related to reserves we have established for our mortgage representation and warranty exposure.

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3—INVESTMENT SECURITIES

Our investment portfolio consists primarily of the following: U.S. Treasury securities; corporate debt securities guaranteed by U.S. government agencies; U.S. government-sponsored enterprise or agency (“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 securities, Agency securities and other securities guaranteed by the U.S. government or U.S. government agencies represented 90% and 86% of our total investment securities as of September 30, 2015 and December 31, 2014, respectively.

Our investment portfolio includes securities available for sale and securities held to maturity. We classify securities as available for sale or held to maturity based on our investment strategy and management’s assessment of our intent and ability to hold the securities until maturity.

The table below presents the overview of our investment securities portfolio as of September 30, 2015 and December 31, 2014.

Table 3.1: Overview of Investment Securities Portfolio

(Dollars in millions)	September 30, 2015	December 31, 2014
Securities available for sale, at fair value	$39,431	$39,508
Securities held to maturity, at carrying value	23,711	22,500
Total investments securities	$63,142	$62,008

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of securities available for sale as of September 30, 2015 and December 31, 2014.

Table 3.2: Investment Securities Available for Sale

	September 30, 2015			
(Dollars in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Fair Value
Investment securities available for sale:				
U.S. Treasury securities	$4,412	$33	$0	$4,445
Corporate debt securities guaranteed by U.S. government agencies	356	1	(2)	355
RMBS:				
Agency[2]	24,409	274	(72)	24,611
Non-agency	2,761	411	(18)	3,154
Total RMBS	27,170	685	(90)	27,765
CMBS:				
Agency[2]	3,431	45	(30)	3,446
Non-agency	1,744	36	(6)	1,774
Total CMBS	5,175	81	(36)	5,220
Other ABS[3]	1,478	6	(1)	1,483
Other securities[4]	162	2	(1)	163
Total investment securities available for sale	$38,753	$808	$(130)	$39,431

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)	December 31, 2014 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Fair Value
Investment securities available for sale:				
U.S. Treasury securities	$4,114	$5	$(1)	$4,118
Corporate debt securities guaranteed by U.S. government agencies	819	1	(20)	800
RMBS:				
Agency[2]	21,804	296	(105)	21,995
Non-agency	2,938	461	(13)	3,386
Total RMBS	24,742	757	(118)	25,381
CMBS:				
Agency[2]	3,751	32	(60)	3,723
Non-agency	1,780	31	(15)	1,796
Total CMBS	5,531	63	(75)	5,519
Other ABS[3]	2,618	54	(10)	2,662
Other securities[4]	1,035	6	(13)	1,028
Total investment securities available for sale	$38,859	$886	$(237)	$39,508

(1) Includes non-credit-related other-than-temporary impairment (“OTTI”) that is recorded in accumulated other comprehensive income (“AOCI”) of $18 million and $8 million as of September 30, 2015 and December 31, 2014, respectively. Substantially all of this amount is related to non-agency RMBS.

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

(3) ABS collateralized by credit card loans constituted approximately 65% and 56% of the other ABS portfolio as of September 30, 2015 and December 31, 2014, respectively, and ABS collateralized by auto dealer floor plan inventory loans and leases constituted approximately 10% and 16% of the other ABS portfolio as of September 30, 2015 and December 31, 2014, respectively.

(4) Includes foreign government bonds, corporate bonds, municipal securities and equity investments primarily related to activities under the Community Reinvestment Act (“CRA”).

The table below presents the carrying value, gross unrealized gains and losses, and fair value of securities held to maturity as of September 30, 2015 and December 31, 2014.

Table 3.3: Investment Securities Held to Maturity

(Dollars in millions)	September 30, 2015 Amortized Cost	Unrealized Losses Recorded in AOCI[1]	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$198	$0	$198	$2	$0	$200
Agency RMBS	21,696	(1,082)	20,614	1,078	(18)	21,674
Agency CMBS	3,007	(108)	2,899	140	0	3,039
Total investment securities held to maturity	$24,901	$(1,190)	$23,711	$1,220	$(18)	$24,913

(Dollars in millions)	December 31, 2014 Amortized	Unrealized		Gross	Gross	Fair

	Cost	Losses Recorded in AOCI[1]	Carrying Value	Unrealized Gains	Unrealized Losses	Value
Agency RMBS	$21,347	$(1,184)	$20,163	$1,047	$0	$21,210
Agency CMBS	2,457	(120)	2,337	93	(6)	2,424
Total investment securities held to maturity	$23,804	$(1,304)	$22,500	$1,140	$(6)	$23,634

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

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 September 30, 2015 and December 31, 2014.

Table 3.4: Securities in an Unrealized Loss Position

	September 30, 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:						
Corporate debt securities guaranteed by U.S. government agencies	$0	$0	$249	$(2)	$249	$(2)
RMBS:						
Agency	5,112	(25)	3,765	(47)	8,877	(72)
Non-agency	326	(8)	152	(10)	478	(18)
Total RMBS	5,438	(33)	3,917	(57)	9,355	(90)
CMBS:						
Agency	265	(1)	1,230	(29)	1,495	(30)
Non-agency	435	(2)	327	(4)	762	(6)
Total CMBS	700	(3)	1,557	(33)	2,257	(36)
Other ABS	400	0	166	(1)	566	(1)
Other securities	56	0	20	(1)	76	(1)
Total investment securities available for sale in a gross unrealized loss position	$6,594	$(36)	$5,909	$(94)	$12,503	$(130)

	December 31, 2014					
	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	$1,499	$(1)	$0	$0	$1,499	$(1)
Corporate debt securities guaranteed by U.S. government agencies	113	(2)	557	(18)	670	(20)
RMBS:						
Agency	3,917	(15)	4,413	(90)	8,330	(105)
Non-agency	412	(9)	90	(4)	502	(13)
Total RMBS	4,329	(24)	4,503	(94)	8,832	(118)
CMBS:						
Agency	294	(2)	1,993	(58)	2,287	(60)
Non-agency	258	(1)	681	(14)	939	(15)
Total CMBS	552	(3)	2,674	(72)	3,226	(75)
Other ABS	783	(1)	586	(9)	1,369	(10)
Other securities	106	0	551	(13)	657	(13)

Total investment securities available for sale in a gross unrealized loss position	$7,382	$(31)	$8,871	$(206)	$16,253	$(237)

Table of Contents

As of September 30, 2015, the amortized cost of approximately 430 securities available for sale exceeded their fair value by $130 million, of which $94 million related to securities that had been in a loss position for 12 months or longer. As of September 30, 2015, our investments in non-agency RMBS and CMBS, other ABS, and other securities accounted for $26 million, or 20%, of total gross unrealized losses on securities available for sale. As of September 30, 2015, the carrying value of approximately 30 securities classified as held to maturity exceeded their fair value by $18 million.

Gross unrealized losses on our investment securities have generally decreased since December 31, 2014. 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 September 30, 2015.

Table 3.5: Contractual Maturities of Securities Available for Sale

	September 30, 2015	
(Dollars in millions)	Amortized Cost	Fair Value
Due in 1 year or less	$785	$785
Due after 1 year through 5 years	5,576	5,619
Due after 5 years through 10 years	1,825	1,865
Due after 10 years[1]	30,567	31,162
Total	$38,753	$39,431

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(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

	September 30, 2015	
(Dollars in millions)	Carrying Value	Fair Value
Due after 1 year through 5 years	$199	$200
Due after 5 years through 10 years	1,150	1,244
Due after 10 years	22,362	23,469
Total	$23,711	$24,913

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 September 30, 2015.

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2015				
(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	$603	$3,841	$1	$0	$4,445
Corporate debt securities guaranteed by U.S. government agencies	0	326	29	0	355
RMBS:					
Agency	272	14,756	9,583	0	24,611
Non-agency	8	1,038	1,635	473	3,154
Total RMBS	280	15,794	11,218	473	27,765
CMBS:					
Agency	80	1,829	1,517	20	3,446
Non-agency	133	497	1,144	0	1,774
Total CMBS	213	2,326	2,661	20	5,220
Other ABS	153	1,135	195	0	1,483
Other securities	51	5	17	90	163
Total securities available for sale	$1,300	$23,427	$14,121	$583	$39,431
Amortized cost of securities available for sale	$1,303	$23,143	$13,787	$520	$38,753
Weighted-average yield for securities available for sale[1]	1.16 %	2.06 %	2.92 %	6.58 %	2.40 %
Carrying value of securities held to maturity:					
U.S. Treasury securities	$0	$198	$0	$0	$198
Agency RMBS	14	1,302	16,079	3,219	20,614
Agency CMBS	0	102	2,410	387	2,899
Total securities held for maturity	$14	$1,602	$18,489	$3,606	$23,711
Fair value of securities held to maturity	$15	$1,649	$19,459	$3,790	$24,913
Weighted-average yield for securities held to maturity[1]	5.67 %	2.77 %	2.50 %	3.33 %	2.64 %

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

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 September 30, 2015, 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 nine months ended September 30, 2015 and 2014 on investment securities for which we had no intent to sell.

Table 3.8: Credit Impairment Rollforward

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2015	2014	2015	2014
Credit loss component, beginning of period	$192	$165	$175	$160
Additions:				
Initial credit impairment	2	1	7	2
Subsequent credit impairment	3	2	15	6
Total additions	5	3	22	8
Reductions due to payoffs, disposals, transfers and other	(1)	(2)	(1)	(2)
Credit loss component, end of period	$196	$166	$196	$166

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 nine months ended September 30, 2015 and 2014. 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 held to maturity.

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2015	2014	2015	2014
Realized gains (losses):				
Gross realized gains	$3	$16	$20	$50
Gross realized losses	0	(10)	(16)	(32)
Net realized gains	3	6	4	18
OTTI recognized in earnings:				
Credit-related OTTI	(5)	(3)	(22)	(8)
Intent-to-sell OTTI	0	(6)	(5)	(7)
Total OTTI recognized in earnings	(5)	(9)	(27)	(15)
Net securities (losses) gains	$(2)	$(3)	$(23)	$3
Total proceeds from sales	$898	$3,268	$3,211	$6,827

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 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 $2.1 billion and $3.5 billion as of September 30, 2015 and December 31, 2014, respectively. We also pledged securities held to maturity with a carrying value of $8.7 billion and $9.0 billion as of September 30, 2015 and December 31, 2014, respectively. Of the total securities pledged as collateral, we have encumbered $10.4 billion and $10.6 billion as of September 30, 2015 and December 31, 2014, respectively, primarily related to Public Fund deposits and our derivative transactions. We accepted pledges of securities with a fair value of $231 million and $91 million as of September 30, 2015 and December 31, 2014, respectively, primarily related to our derivative transactions.

Acquired Securities

The table below presents the outstanding balance and carrying value of the acquired credit-impaired debt securities as of September 30, 2015 and December 31, 2014.

Table 3.10: Outstanding Balance and Carrying Value of Acquired Securities

(Dollars in millions)	September 30, 2015	December 31, 2014
Outstanding balance	$3,395	$3,768
Carrying value	2,575	2,839

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in Accretable Yield of Acquired Securities

The following table presents changes in the accretable yield related to the acquired credit-impaired debt securities for the three and nine months ended September 30, 2015.

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

(Dollars in millions)	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
Accretable yield, beginning of period	$1,192	$1,250
Accretion recognized in earnings	(62)	(185)
Reduction due to payoffs, disposals, transfers and other	0	(1)
Net reclassifications from nonaccretable difference	69	135
Accretable yield, end of period	$1,199	$1,199

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4—LOANS
Loan Portfolio Composition
Our loan portfolio consists of loans held for investment, including restricted loans underlying our consolidated securitization trusts, and loans held for sale, and is divided into three portfolio segments: credit card, consumer banking and commercial banking loans. 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 loans acquired in the ING Direct, CCB and 2012 U.S. card acquisitions. See "MD&A—Glossary and Acronyms" for the definition of ING Direct, CCB and 2012 U.S. card acquisitions. These loans were recorded at fair value at the date of each acquisition and are referred to as Acquired Loans. The substantial majority of the loans purchased in the 2012 U.S. card acquisition had existing revolving privileges; therefore, they were excluded from Acquired Loans and accounted for based on contractual cash flows at acquisition. See "Note 1—Summary of Significant Accounting Policies" in our 2014 Form 10-K for additional information on 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 ratios 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, which includes restricted loans for securitization investors, as of September 30, 2015 and December 31, 2014. The delinquency aging includes all past due loans, both performing and nonperforming.
Table 4.1: Loan Portfolio Composition and Aging Analysis

	September 30, 2015						
(Dollars in millions)	Current	30-59 Days	60-89 Days	> 90 Days	Total Delinquent Loans	Acquired Loans	Total Loans
Credit Card:							
Domestic credit card[1]	$79,481	$894	$607	$1,196	$2,697	$0	$82,178
International credit card	7,687	107	65	98	270	0	7,957
Total credit card	87,168	1,001	672	1,294	2,967	0	90,135
Consumer Banking:							
Auto	38,348	1,712	791	201	2,704	0	41,052
Home loan	6,516	48	22	178	248	19,576	26,340
Retail banking	3,519	20	5	18	43	36	3,598
Total consumer banking	48,383	1,780	818	397	2,995	19,612	70,990
Commercial Banking:							
Commercial and multifamily real estate	23,487	31	29	4	64	34	23,585
Commercial and industrial	27,525	82	24	145	251	97	27,873
Total commercial lending	51,012	113	53	149	315	131	51,458
Small-ticket commercial real estate	648	2	2	2	6	0	654
Total commercial banking	51,660	115	55	151	321	131	52,112
Other loans	81	3	1	7	11	0	92

Total loans[2]	$187,292	$2,899	$1,546	$1,849	$6,294	$19,743	$213,329
% of Total loans	87.79%	1.36%	0.72%	0.87%	2.95 %	9.26%	100.00 %

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)	December 31, 2014						
	Current	30-59 Days	60-89 Days	> 90 Days	Total Delinquent Loans	Acquired Loans	Total Loans
Credit Card:							
Domestic credit card[(1)]	$75,143	$790	$567	$1,181	$2,538	$23	$77,704
International credit card	7,878	114	69	111	294	0	8,172
Total credit card	83,021	904	636	1,292	2,832	23	85,876
Consumer Banking:							
Auto	35,142	1,751	734	197	2,682	0	37,824
Home loan	6,492	57	27	218	302	23,241	30,035
Retail banking	3,496	17	7	16	40	44	3,580
Total consumer banking	45,130	1,825	768	431	3,024	23,285	71,439
Commercial Banking:							
Commercial and multifamily real estate	22,974	74	7	36	117	46	23,137
Commercial and industrial	26,753	29	10	34	73	146	26,972
Total commercial lending	49,727	103	17	70	190	192	50,109
Small-ticket commercial real estate	771	6	1	3	10	0	781
Total commercial banking	50,498	109	18	73	200	192	50,890
Other loans	97	3	2	9	14	0	111
Total loans[(2)]	$178,746	$2,841	$1,424	$1,805	$6,070	$23,500	$208,316
% of Total loans	85.81%	1.36%	0.68%	0.87%	2.91 %	11.28%	100.00 %

(1) Includes installment loans of $97 million and $144 million as of September 30, 2015 and December 31, 2014, respectively.

(2) Loans as presented are net of unearned income, unamortized premiums and discounts, and unamortized deferred fees and costs totaling $901 million and $1.1 billion as of September 30, 2015 and December 31, 2014, respectively.

We had total loans held for sale of $566 million and $626 million as of September 30, 2015 and December 31, 2014, 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 September 30, 2015 and December 31, 2014.

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

(Dollars in millions)	September 30, 2015		December 31, 2014	
	> 90 Days and Accruing	Nonperforming Loans	> 90 Days and Accruing	Nonperforming Loans
Credit Card:				
Domestic credit card	$1,196	$ 0	$1,181	$ 0
International credit card	65	61	73	70
Total credit card	1,261	61	1,254	70
Consumer Banking:				
Auto	0	201	0	197
Home loan	0	310	0	330

Retail banking	0	27	1	22
Total consumer banking	0	538	1	549
Commercial Banking:				
Commercial and multifamily real estate	0	8	7	62
Commercial and industrial	1	441	1	106
Total commercial lending	1	449	8	168

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)	September 30, 2015		December 31, 2014	
	> 90 Days and Accruing	Nonperforming Loans	> 90 Days and Accruing	Nonperforming Loans
Small-ticket commercial real estate	0	4	0	7
Total commercial banking	1	453	8	175
Other loans	0	11	0	15
Total	$1,262	$ 1,063	$1,263	$ 809
% of Total loans	0.59%	0.50%	0.61%	0.39%

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(1) Nonperforming loans generally include loans that have been placed on nonaccrual status. Acquired Loans are excluded from loans reported as 90 days and accruing interest as well as 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 portfolio correlates to broad economic trends, such as unemployment rates, gross domestic product ("GDP"), 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 September 30, 2015 and December 31, 2014. We also present net charge-offs for the three and nine months ended September 30, 2015 and 2014.

Table 4.3: Credit Card: Risk Profile by Geographic Region and Delinquency Status

(Dollars in millions)	September 30, 2015		December 31, 2014	
	Amount	% of Total[1]	Amount	% of Total[1]
Domestic credit card:				
California	$9,310	10.3%	$8,574	10.0%
New York	6,042	6.7	5,610	6.5
Texas	5,901	6.5	5,382	6.3
Florida	5,260	5.8	4,794	5.6
Illinois	3,870	4.3	3,747	4.4
Pennsylvania	3,521	3.9	3,581	4.2
Ohio	3,136	3.5	3,075	3.6
New Jersey	3,004	3.3	2,868	3.3
Michigan	2,754	3.1	2,681	3.1
Other	39,380	43.8	37,392	43.5
Total domestic credit card	82,178	91.2	77,704	90.5
International credit card:				
Canada	4,698	5.2	4,747	5.5
United Kingdom	3,259	3.6	3,425	4.0
Total international credit card	7,957	8.8	8,172	9.5
Total credit card	$90,135	100.0%	$85,876	100.0 %

(1) Percentages by geographic region within the domestic and international credit card portfolios are calculated based on the total held for investment credit card loans as of the end of the reported period.

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table 4.4: Credit Card: Net Charge-offs

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		2015		2014	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Net charge-offs:[1]								
Domestic credit card	$619	3.08%	$508	2.83%	$1,933	3.35%	$1,818	3.45%
International credit card	36	1.80	64	3.32	144	2.41	219	3.81
Total credit card	$655	2.96	$572	2.88	$2,077	3.26	$2,037	3.48

(1) The net charge-off rate is calculated for each loan category by dividing annualized net charge-offs for the period by average loans held for investment during the period. Net charge-offs and the net-charge off rate are impacted periodically by fluctuations in recoveries, including impacts of debt sales.

Consumer Banking

Our consumer banking loan portfolio consists of auto, home loan 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, 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 Acquired Loans. We also present the delinquency and nonperforming loan rates of our consumer banking loan portfolio as of September 30, 2015 and December 31, 2014, and net charge-offs for the three and nine months ended September 30, 2015 and 2014.

Table 4.5: Consumer Banking: Risk Profile by Geographic Region, Delinquency Status and Performing Status

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]
Auto:				
Texas	$5,449	7.7%	$5,248	7.4%
California	4,502	6.3	4,081	5.7
Florida	3,216	4.5	2,737	3.8
Georgia	2,230	3.1	2,066	2.9
Louisiana	1,889	2.7	1,773	2.5
Illinois	1,839	2.6	1,676	2.4
Ohio	1,711	2.4	1,566	2.2
Other	20,216	28.5	18,677	26.1
Total auto	41,052	57.8	37,824	53.0
Home loan:				
California	6,044	8.5	6,943	9.7
New York	2,243	3.2	2,452	3.4
Illinois	1,598	2.3	1,873	2.6
Maryland	1,580	2.2	1,720	2.4
Virginia	1,403	2.0	1,538	2.2
New Jersey	1,367	1.9	1,529	2.1

Florida	1,213	1.7	1,375	1.9
Other	10,892	15.3	12,605	17.7
Total home loan	26,340	37.1	30,035	42.0

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	September 30, 2015		December 31, 2014	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]
Retail banking:				
Louisiana	1,097	1.5	1,120	1.5
New York	901	1.3	881	1.2
Texas	763	1.1	756	1.1
New Jersey	250	0.4	265	0.4
Maryland	175	0.2	167	0.2
Virginia	146	0.2	132	0.2
Other	266	0.4	259	0.4
Total retail banking	3,598	5.1	3,580	5.0
Total consumer banking	$70,990	100.0%	$71,439	100.0%

	September 30, 2015						December 31, 2014					
	30+ day Delinquencies		90+ day Delinquencies		Nonperforming Loans		30+ day Delinquencies		90+ day Delinquencies		Nonperforming Loans	
(Dollars in millions)	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Auto	$2,704	6.59%	$201	0.49 %	$201	0.49%	$2,682	7.09%	$197	0.52%	$197	0.52 %
Home Loan[2]	248	0.94	178	0.67	310	1.18	302	1.01	218	0.73	330	1.10
Retail Banking	43	1.20	18	0.51	27	0.74	40	1.11	16	0.44	22	0.61
Total Consumer Banking[2]	$2,995	4.22	$397	0.56	$538	0.76	$3,024	4.23	$431	0.60	$549	0.77

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(1) Percentages by geographic region are calculated based on the total held for investment consumer banking loans as of the end of the reported period.

(2) Excluding the impact of Acquired Loans, the 30+ day delinquency rates, 90+ day delinquency rates, and the nonperforming loans rates for our home loan portfolio were 3.66%, 2.62% and 4.59% as of September 30, 2015; and 4.45%, 3.21% and 4.86% as of December 31, 2014; and for the total consumer banking loan portfolio were 5.83%, 0.77% and 1.05% as of September 30, 2015; and 6.28%, 0.89% and 1.14% as of December 31, 2014.

Table 4.6: Consumer Banking: Net Charge-offs

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		2015		2014	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]
Net charge-offs:								
Auto	$188	1.85%	$176	1.98%	$457	1.54%	$421	1.65%
Home loan	1	0.01	2	0.02	6	0.03	12	0.05
Retail banking	14	1.53	12	1.36	35	1.30	27	1.00
Total consumer banking	$203	1.14	$190	1.07	$498	0.93	$460	0.87

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(1) Calculated for each loan category by dividing annualized net charge-offs for the period by average loans held for investment during the period. Excluding the impact of Acquired Loans, the net charge-off rates for our home loan portfolio and the total consumer banking loan portfolio were 0.05% and 1.58%, respectively, for the three months ended September 30, 2015, compared to 0.11% and 1.65%, respectively, for the three months ended September 30, 2014; and 0.11% and 1.33%, respectively, for the nine months ended September 30, 2015, compared to 0.22% and 1.37%, respectively, for the nine months ended September 30, 2014.

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 our overall home 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 September 30, 2015 and December 31, 2014, based on selected key risk characteristics.
Table 4.7: Home Loan: Risk Profile by Vintage, Geography, Lien Priority and Interest Rate Type

	September 30, 2015					
	Loans		Acquired Loans		Total Home Loans	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]	Amount	% of Total[1]
Origination year:[2]						
< = 2006	$2,418	9.2%	$5,014	19.0%	$7,432	28.2%
2007	281	1.0	4,282	16.3	4,563	17.3
2008	165	0.6	3,033	11.5	3,198	12.1
2009	103	0.4	1,600	6.1	1,703	6.5
2010	102	0.4	2,392	9.1	2,494	9.5
2011	185	0.7	2,696	10.2	2,881	10.9
2012	1,355	5.2	426	1.6	1,781	6.8
2013	578	2.2	73	0.3	651	2.5
2014	698	2.7	32	0.1	730	2.8
2015	879	3.3	28	0.1	907	3.4
Total	$6,764	25.7%	$19,576	74.3%	$26,340	100.0%
Geographic concentration:[3]						
California	$906	3.4%	$5,138	19.5%	$6,044	22.9%
New York	1,306	5.0	937	3.6	2,243	8.6
Illinois	90	0.4	1,508	5.7	1,598	6.1
Maryland	495	1.9	1,085	4.1	1,580	6.0
Virginia	423	1.6	980	3.7	1,403	5.3
New Jersey	348	1.3	1,019	3.9	1,367	5.2
Florida	158	0.6	1,055	4.0	1,213	4.6
Arizona	83	0.3	1,057	4.0	1,140	4.3
Louisiana	1,102	4.2	29	0.1	1,131	4.3
Washington	114	0.4	844	3.2	958	3.6
Other	1,739	6.6	5,924	22.5	7,663	29.1
Total	$6,764	25.7%	$19,576	74.3%	$26,340	100.0 %
Lien type:						
1st lien	$5,764	21.9%	$19,246	73.1%	$25,010	95.0%
2nd lien	1,000	3.8	330	1.2	1,330	5.0
Total	$6,764	25.7%	$19,576	74.3%	$26,340	100.0%

Interest rate type:						
Fixed rate	$2,708	10.3%	$2,294	8.7%	$5,002	19.0%
Adjustable rate	4,056	15.4	17,282	65.6	21,338	81.0
Total	$6,764	25.7%	$19,576	74.3%	$26,340	100.0%

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2014					
	Loans		Acquired Loans		Total Home Loans	
(Dollars in millions)	Amount	% of Total[1]	Amount	% of Total[1]	Amount	% of Total[1]
Origination year:[2]						
< = 2006	$2,827	9.4%	$5,715	19.1 %	$8,542	28.5 %
2007	320	1.1	4,766	15.8	5,086	16.9
2008	187	0.6	3,494	11.7	3,681	12.3
2009	107	0.4	1,999	6.6	2,106	7.0
2010	120	0.4	3,108	10.3	3,228	10.7
2011	221	0.7	3,507	11.7	3,728	12.4
2012	1,620	5.4	533	1.8	2,153	7.2
2013	661	2.2	85	0.3	746	2.5
2014	731	2.4	34	0.1	765	2.5
Total	$6,794	22.6 %	$23,241	77.4%	$30,035	100.0%
Geographic concentration:[3]						
California	$924	3.1%	$6,019	20.0%	$6,943	23.1%
New York	1,379	4.6	1,073	3.6	2,452	8.2
Illinois	86	0.3	1,787	5.9	1,873	6.2
Maryland	457	1.5	1,263	4.2	1,720	5.7
Virginia	385	1.3	1,153	3.8	1,538	5.1
New Jersey	341	1.1	1,188	4.0	1,529	5.1
Florida	161	0.5	1,214	4.1	1,375	4.6
Arizona	89	0.3	1,215	4.1	1,304	4.4
Louisiana	1,205	4.0	38	0.1	1,243	4.1
Washington	109	0.4	1,038	3.4	1,147	3.8
Other	1,658	5.5	7,253	24.2	8,911	29.7
Total	$6,794	22.6%	$23,241	77.4%	$30,035	100.0%
Lien type:						
1st lien	$5,756	19.2%	$22,883	76.2%	$28,639	95.4%
2nd lien	1,038	3.4	358	1.2	1,396	4.6
Total	$6,794	22.6 %	$23,241	77.4 %	$30,035	100.0 %
Interest rate type:						
Fixed rate	$2,446	8.1%	$2,840	9.5%	$5,286	17.6%
Adjustable rate	4,348	14.5	20,401	67.9	24,749	82.4
Total	$6,794	22.6 %	$23,241	77.4%	$30,035	100.0%

(1) Percentages within each risk category are calculated based on total home loans held for investment.

(2) The Acquired Loans balances with an originate date in the years subsequent to 2012 are related to refinancing of previously acquired home loans.

(3) States listed represents the ten states in which we have the highest concentration of home loans.

Our recorded investment in home loans for properties that are in process of foreclosure was $577 million as of September 30, 2015. 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

time lines vary according to state law. As of September 30, 2015 and December 31, 2014, the carrying value of the foreclosed residential real estate properties which we hold and report as other assets on our consolidated balance sheet totaled $118 million and $131 million, respectively.

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commercial Banking

We evaluate the credit risk of commercial loans individually and use a risk-rating system to determine the credit quality of our commercial loans. We assign internal risk ratings to loans based on relevant information about the ability of borrowers to service their debt. In determining the risk rating of a particular loan, among the factors considered are the borrower's current financial condition, historical credit performance, projected future credit performance, prospects for support from financially responsible guarantors, the estimated realizable value of any collateral and current economic trends. The ratings 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 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 designated as criticized performing and criticized nonperforming are reviewed quarterly by management for further deterioration or improvement to determine if they are appropriately classified/rated and whether impairment exists. Noncriticized loans greater than $1 million are specifically reviewed, at least annually, to determine the appropriate loan 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 September 30, 2015 and December 31, 2014.

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

	September 30, 2015							
(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	$14,670	62.2%	$ 6,784	24.3%	$ 401	61.3%	$ 21,855	41.9%
Mid-Atlantic	2,743	11.6	2,246	8.1	25	3.9	5,014	9.6
South	3,718	15.8	11,491	41.2	42	6.4	15,251	29.3
Other	2,454	10.4	7,352	26.4	186	28.4	9,992	19.2
Total	$23,585	100.0%	$ 27,873	100.0%	$ 654	100.0%	$ 52,112	100.0%
Internal risk rating:[3]								
Noncriticized	$23,191	98.3%	$ 26,096	93.6%	$ 647	98.9%	$ 49,934	95.8%
Criticized performing	386	1.6	1,336	4.8	3	0.5	1,725	3.3
Criticized nonperforming	8	0.1	441	1.6	4	0.6	453	0.9
Total	$23,585	100.0%	$ 27,873	100.0 %	$ 654	100.0%	$ 52,112	100.0%

Table of Contents

CAPITAL ONE FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)	December 31, 2014 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	$15,135	65.4%	$ 6,384	23.7%	$ 478	61.2%	$ 21,997	43.2%
Mid-Atlantic	2,491	10.8	2,121	7.9	30	3.8	4,642	9.1
South	3,070	13.3	12,310	45.6	48	6.2	15,428	30.3
Other	2,441	10.5	6,157	22.8	225	28.8	8,823	17.4
Total	$23,137	100.0%	$ 26,972	100.0%	$ 781	100.0%		