

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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CAPITAL ONE FINANCIAL CORP

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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

**January 17, 2013
Date of Report (Date of earliest event reported)**

Commission File No. 1-13300

CAPITAL ONE FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

54-1719854
(I.R.S. Employer Identification No.)

1680 Capital One Drive McLean, Virginia
(Address of Principal Executive Offices)

22102
(Zip Code)

Registrant's telephone number, including area code: (703) 720-1000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On January 17, 2013, Capital One Financial Corporation (the “Company”) issued a press release announcing its financial results for the fourth quarter ended December 31, 2012. Copies of the Company’s press release and financial supplement are attached and filed herewith as Exhibits 99.1 and 99.2 to this Form 8-K and are incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

The Company hereby furnishes the information in Exhibit 99.3 hereto, Earnings Release Slides - Fourth Quarter 2012.

Note: Information in Exhibit 99.3 furnished pursuant to Item 7.01 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section. This report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD. Furthermore, the information provided in Exhibit 99.3 shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933.

Item 8.01. Other Events.

See attached press release and financial supplement at Exhibits 99.1 and 99.2, which are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit	
No.	Description of Exhibit
<u>99.1</u>	Press Release, dated January 17, 2013 - Fourth Quarter 2012
<u>99.2</u>	Financial Supplement - Fourth Quarter 2012
<u>99.3</u>	Earnings Release Slides - Fourth Quarter 2012

Earnings Conference Call Webcast Information.

The Company will hold an earnings conference call on January 17, 2013 at 5:00 p.m. Eastern standard time. The conference call will be accessible through live webcast. Interested investors and other individuals can access the webcast via the Company' s home page (<http://www.capitalone.com>). Choose "Investors" to access the Investor Center and view and/or download the earnings press release, the financial supplement, including a reconciliation to GAAP financial measures, and the earnings release presentation. The replay of the webcast will be archived on the Company' s Web site through January 31, 2013 at 10:00 p.m. Eastern standard time.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned, hereunto duly authorized.

CAPITAL ONE FINANCIAL CORPORATION

Dated: January 17, 2013

By: /s/ Gary L. Perlin

Gary L. Perlin

Chief Financial Officer

FOR IMMEDIATE RELEASE: January 17, 2013

**Capital One Reports Fourth Quarter 2012 Net Income of \$843 million,
or \$1.41 per share**

Earnings for full year 2012 were \$3.5 billion, or \$6.16 per share

McLean, Va. (January 17, 2013) - Capital One Financial Corporation (NYSE: COF) today announced net income for the full year 2012 of \$3.5 billion, or \$6.16 per diluted common share, compared with net income of \$3.1 billion, or \$6.80 per diluted common share, for 2011. Results for 2012 reflect the impacts of acquisition-related accounting and an increase in the number of shares outstanding. Net income for the fourth quarter of 2012 was \$843 million, or \$1.41 per diluted common share, compared with net income of \$1.2 billion, or \$2.01 per diluted common share, for the third quarter of 2012, and net income of \$407 million, or \$0.88 per diluted common share, for the fourth quarter of 2011.

“Seasonal expense and margin trends led to a reduction in fourth quarter earnings compared to the previous quarter,” said Gary L. Perlin, Capital One’s Chief Financial Officer. “With a few exceptions largely related to these seasonal patterns, fourth quarter 2012 results give us a good picture of what to expect in terms of pre-provision earnings in 2013, assuming little change in the external environment.”

The company expects average quarterly revenue levels in 2013 to be consistent with the fourth quarter of 2012, as a modest decline in earning assets will be offset by a steady to slightly higher net interest margin. Overall, the company expects non-interest expense to be, on average, just over \$3.1 billion per quarter, reflecting a modest decline in quarterly expenses relative to seasonally elevated operating and marketing costs in the fourth quarter of 2012.

“Capital One remains well positioned to deliver sustained shareholder value through sure-footed execution, substantial capital generation, and disciplined capital allocation for the benefit of our shareholders,” said Richard D. Fairbank, Chairman and Chief Executive Officer. “As a first step, we expect to return to a meaningful dividend in 2013, following the completion of the current CCAR process.”

Total Company Results

All comparisons in the following paragraphs are for the fourth quarter of 2012 compared with the third quarter of 2012 unless otherwise noted.

Loans and Deposits

Period-end loans held for investment increased \$2.8 billion to \$205.9 billion. Commercial Banking’s period-end loans increased \$1.6 billion, or 4 percent, to \$38.8 billion, and period-end loans in Auto Finance grew \$689 million, or 3 percent, to \$27.1 billion due to strong growth in both businesses. Domestic Card period-end loans increased \$2.5 billion as seasonal growth at the end of the fourth quarter was partially offset by expected run-off in acquired credit card loans and the continued run-off of installment loans. Period-end loans in Home Loans decreased \$2.2 billion, or 5 percent, to \$44.1 billion, driven by the continued run-off of acquired portfolios.

Average loans in the quarter were essentially flat at \$202.9 billion. Average loans in Commercial Banking grew \$831 million and Auto Finance average loans grew \$958 million. Average Domestic Card loan growth of \$216 million was modest compared with the growth in period-end loans reflecting the magnitude of the increase in period-end loans driven by our partnerships portfolio. Average Home Loans decreased by \$2.0 billion, driven largely by the continued run-off of acquired portfolios.

Period-end total deposits decreased \$770 million to \$212.5 billion, driven by a reduction in deposits in legacy banking segments. Average deposits in the quarter were essentially flat and deposit interest rates declined 5 basis points to 0.72 percent.

Revenues

Total net revenue for the fourth quarter of 2012 was \$5.6 billion, a decline of \$158 million, or 3 percent, almost entirely driven by higher levels of estimated uncollectible finance charges and fees in the company's Domestic Card business. This was due to seasonally higher levels of finance charge and fee reversal and a higher portion of the uncollectible finance charges and fees being recognized as a reduction of net revenue instead of being offset against the SOP 03-3 credit mark on acquired delinquent non-revolving credit card loans.

The higher levels of estimated uncollectible finance charges and fees coupled with a substantial increase in the proportion of lower-yielding cash and investment securities in anticipation of the call of high coupon trust securities resulted in a decrease in net interest margin of 45 basis points to 6.52 percent. Cost of funds in the fourth quarter declined 7 basis points to 0.99 percent.

Non-Interest Expense

Operating expenses were \$2.9 billion in the fourth quarter, an increase of \$133 million, or 5 percent, driven by higher year-end expense patterns and somewhat higher integration expenses. Marketing expense increased \$77 million in the quarter to \$393 million.

Provision for Credit Losses

Provision for credit losses was \$1.2 billion in the quarter, up \$137 million from the previous quarter, largely caused by an increasingly lower proportion of charge-offs related to acquired delinquent non-revolving credit card loans being absorbed by the SOP 03-3 credit mark than was absorbed in the third quarter and an expected seasonal increase to the underlying Domestic Card portfolio.

The net charge-off rate was 2.26 percent in the fourth quarter of 2012, an increase of 51 basis points from 1.75 percent in the third quarter, largely because of the diminishing impact of the credit mark discussed above. The net charge-off rate for Domestic Card increased to 4.35 percent from 3.04 percent, also driven by seasonality and the diminishing impact of the credit mark described above. The net charge-off rate for Auto Finance increased 45 basis points, while the rate for Commercial Banking increased 10 basis points.

Net Income

Net income decreased 28 percent in the fourth quarter driven by lower revenue and higher non-interest and credit expenses.

Capital Ratios

The company's estimated Tier 1 common ratio was approximately 11.0 percent as of December 31, 2012, up from 10.7 percent as of September 30, 2012.

Detailed segment information will be available in the company's Annual Report on Form 10-K for the year ended December 31, 2012.

Earnings Conference Call Webcast Information

The company will hold an earnings conference call on January 17, 2013 at 5:00 PM, Eastern Standard Time. The conference call will be accessible through live webcast. Interested investors and other individuals can access the webcast via the company's home page (www.capitalone.com). Choose "Investors" to access the Investor Center and view and/or download the earnings press release, the financial supplement, including a reconciliation to GAAP financial measures, and the earnings release presentation. The replay of the webcast will be archived on the company's website through January 31, 2013 at 10:00 PM.

Forward-looking Statements

The company cautions that its current expectations in this release dated January 17, 2013 and the company's plans, objectives, expectations and intentions, are forward-looking statements which speak only as of the date hereof. The company does not undertake any obligation to update or revise any of the information contained herein whether as a result of new information, future events or otherwise.

Certain statements in this release are 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 the company, earnings per share or other financial measures for the company; future financial and operating results; the company's plans, objectives, expectations and intentions; the projected impact and benefits of the acquisition of ING Direct and HSBC's U.S. Card business (the "Transactions"); 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 the company's actual results to differ materially from those described in such forward-looking statements, including, among

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

About Capital One

Capital One Financial Corporation (www.capitalone.com) is a financial holding company whose subsidiaries, which include Capital One, N.A., and Capital One Bank (USA), N. A., had \$212.5 billion in deposits and \$312.9 billion in total assets outstanding as of December 31, 2012. Headquartered in McLean, Virginia, Capital One offers a broad spectrum of financial products and services to consumers, small businesses and commercial clients through a variety of channels. Capital One, N.A. has more than 900 branch locations primarily in New York, New Jersey, Texas, Louisiana, Maryland, Virginia and the District of Columbia. ING DIRECT, a division of Capital One, N.A., offers direct banking products and services to customers nationwide. A Fortune 500 company, Capital One trades on the New York Stock Exchange under the symbol "COF" and is included in the S&P 100 index.

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Capital One Financial Corporation
Financial Supplement
Fourth Quarter 2012 ⁽¹⁾ ⁽²⁾
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(1) The information contained in this Financial Supplement is preliminary and based on data available at the time of the earnings presentation, and investors should refer to our December 31, 2012 Annual Report on Form 10-K once it is filed with the Securities and Exchange Commission.

(2) References to ING Direct refer to the business and assets acquired and liabilities assumed in the February 17, 2012 acquisition. References to HSBC refer to the May 1, 2012 transaction in which we acquired substantially all of HSBC’s credit card and private-label credit card business in the United States (“HSBC U.S. card”).

(3) We use the term “acquired loans” to refer to a limited portion of the credit card loans acquired in the HSBC U.S. card acquisition and the substantial majority of loans acquired in the ING Direct and Chevy Chase Bank (“CCB”) acquisitions, which were recorded at fair value at acquisition and subsequently accounted for based on estimated cash flows expected to be collected over the life of the loans (under the accounting standard formerly known as “SOP 03-3”). Because SOP 03-3 takes into consideration future credit losses expected to be incurred over the life of the loans, there are no charge-offs or an allowance associated with these loans unless the estimated cash flows expected to be collected decrease subsequent to acquisition. In addition, these loans are not classified as delinquent or nonperforming even though the customer may be contractually past due because we expect that we will fully collect the carrying value of these loans. The accounting and classification of these loans may significantly alter some of our reported credit quality metrics. We therefore supplement certain reported credit quality metrics with metrics adjusted to exclude the impact of these acquired loans.

CAPITAL ONE FINANCIAL CORPORATION (COF)
Table 1: Financial & Statistical Summary–Consolidated ⁽¹⁾⁽²⁾⁽³⁾

	2012	2012	2012	2012	2011
	Q4	Q3	Q2	Q1	Q4
<i>(Dollars in millions, except per share data and as noted) (unaudited)</i>					
Earnings					
Net interest income	\$4,528	\$4,646	\$4,001	\$3,414	\$3,182
Non-interest income ^{(4) (5)}	1,096	1,136	1,054	1,521	868
Total net revenue ⁽⁶⁾	5,624	5,782	5,055	4,935	4,050
Provision for credit losses	1,151	1,014	1,677	573	861
Marketing expenses	393	316	334	321	420
Operating expenses ⁽⁷⁾	2,862	2,729	2,808	2,183	2,198
Income from continuing operations before income taxes	1,218	1,723	236	1,858	571
Income tax provision	370	535	43	353	160
Income from continuing operations, net of tax	848	1,188	193	1,505	411
Loss from discontinued operations, net of tax ⁽⁴⁾	(5)	(10)	(100)	(102)	(4)
Net income	843	1,178	93	1,403	407
Dividends and undistributed earnings allocated to participating securities ⁽⁸⁾	(3)	(5)	(1)	(7)	(26)
Preferred stock dividends	(15)	–	–	–	–
Net income available to common stockholders	\$825	\$1,173	\$92	\$1,396	\$381
Common Share Statistics					
Basic EPS: ⁽⁸⁾					
Income from continuing operations, net of tax	\$1.43	\$2.05	\$0.33	\$2.94	\$0.89
Loss from discontinued operations, net of tax	(0.01)	(0.02)	(0.17)	(0.20)	(0.01)
Net income per common share	\$1.42	\$2.03	\$0.16	\$2.74	\$0.88
Diluted EPS: ⁽⁸⁾					
Income from continuing operations, net of tax	\$1.42	\$2.03	\$0.33	\$2.92	\$0.89
Loss from discontinued operations, net of tax	(0.01)	(0.02)	(0.17)	(0.20)	(0.01)
Net income per common share	\$1.41	\$2.01	\$0.16	\$2.72	\$0.88
Weighted average common shares outstanding (in millions):					
Basic EPS	579.2	578.3	577.7	508.7	456.2
Diluted EPS	585.6	584.1	582.8	513.1	458.5
Common shares outstanding (period end, in millions)	582.2	581.3	580.7	580.2	459.9
Dividends per common share	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
Tangible book value per common share (period end) ^{(9) (26)}	40.23	38.70	35.67	39.37	34.26
Balance Sheet (Period End)					
Loans held for investment ⁽¹⁰⁾	\$205,889	\$203,132	\$202,749	\$173,822	\$135,892
Interest-earning assets	280,096	270,661	264,331	265,398	179,878
Total assets	312,918	301,989	296,572	294,481	206,019
Interest-bearing deposits	190,018	192,488	193,859	197,254	109,945
Total deposits	212,485	213,255	213,931	216,528	128,226
Borrowings	49,910	38,377	35,874	32,885	39,561
Stockholders' equity	40,499	39,672	37,192	36,950	29,666
Balance Sheet (Quarterly Average Balances)					
Average loans held for investment ⁽¹⁰⁾	\$202,944	\$202,856	\$192,632	\$152,900	\$131,581
Average interest-earning assets	277,886	266,803	265,019	220,246	176,271
Average total assets	308,096	297,154	295,306	246,384	200,106

Average interest-bearing deposits	192,122	193,700	195,597	151,625	109,914
Average total deposits	213,494	213,323	214,914	170,259	128,450
Average borrowings	44,189	36,451	35,418	35,994	34,811
Average stockholders' equity	40,212	38,535	37,533	32,982	29,698
Performance Metrics					
Net interest income growth (quarter over quarter)	(3)%	16 %	17 %	7 %	(3)%
Non-interest income growth (quarter over quarter)	(4)	8	(31)	75	–
Total net revenue growth (quarter over quarter)	(3)	14	2	22	(3)
Total net revenue margin ⁽¹¹⁾	8.10	8.67	7.63	8.96	9.19
Net interest margin ⁽¹²⁾	6.52	6.97	6.04	6.20	7.22
Return on average assets ⁽¹³⁾	1.10	1.60	0.26	2.44	0.82
Return on average total stockholders' equity ⁽¹⁴⁾	8.44	12.33	2.06	18.25	5.54
Return on average tangible common equity ^{(15) (26)}	14.74	21.93	3.53	31.60	10.43
Non-interest expense as a % of average loans held for investment ⁽¹⁶⁾	6.42	6.00	6.52	6.55	7.96
Efficiency ratio ⁽¹⁷⁾	57.88	52.66	62.16	50.74	64.64
Effective income tax rate	30.4	31.1	18.2	19.0	28.0
Full-time equivalent employees (in thousands), period end	39.6	37.6	37.4	34.2	30.5
Credit Quality Metrics^{(10) (18)}					
Allowance for loan and lease losses	\$5,156	\$5,154	\$4,998	\$4,060	\$4,250
Allowance as a % of loans held for investment	2.50 %	2.54 %	2.47 %	2.34 %	3.13 %
Allowance as a % of loans held for investment (excluding acquired loans)	3.02	3.11	3.08	3.08	3.22
Net charge-offs	\$1,150	\$887	\$738	\$780	\$884
Net charge-off rate ⁽¹⁹⁾	2.26 %	1.75 %	1.53 %	2.04 %	2.69 %
Net charge-off rate (excluding acquired loans) ⁽¹⁹⁾	2.78	2.18	1.96	2.40	2.79
30+ day performing delinquency rate	2.70	2.54	2.06	2.23	3.35
30+ day performing delinquency rate (excluding acquired loans)	3.29	3.15	2.59	2.96	3.47
30+ day delinquency rate ⁽²⁰⁾	**	2.92	2.43	2.69	3.95
30+ day delinquency rate (excluding acquired loans) ⁽²⁰⁾	**	3.62	3.06	3.57	4.09
Capital Ratios⁽²¹⁾					
Tier 1 common ratio ⁽²²⁾	11.0 %	10.7 %	9.9 %	11.9 %	9.7 %
Tier 1 risk-based capital ratio ⁽²³⁾	11.4	12.7	11.6	13.9	12.0
Total risk-based capital ratio ⁽²⁴⁾	13.6	15.0	14.0	16.5	14.9
Tangible common equity ("TCE") ratio ^{(25) (26)}	7.9	7.9	7.4	8.2	8.2

CAPITAL ONE FINANCIAL CORPORATION (COF)
Table 2: Consolidated Statements of Income⁽¹⁾⁽²⁾⁽³⁾

	Three Months Ended			Year Ended	
	December 31,	September 30,	December 31,	December 31,	
	2012	2012	2011	2012	2011
<i>(Dollars in millions, except per share data) (unaudited)</i>					
Interest income:					
Loans held for investment	\$ 4,726	\$ 4,901	\$ 3,440	\$17,537	\$13,774
Investment securities	361	335	244	1,329	1,137
Other	28	18	17	98	76
Total interest income	5,115	5,254	3,701	18,964	14,987
Interest expense:					
Deposits	348	371	264	1,403	1,187
Securitized debt obligations	58	64	80	271	422
Senior and subordinated notes	85	85	89	345	300
Other borrowings	96	88	86	356	337
Total interest expense	587	608	519	2,375	2,246
Net interest income	4,528	4,646	3,182	16,589	12,741
Provision for credit losses	1,151	1,014	861	4,415	2,360
Net interest income after provision for credit losses	3,377	3,632	2,321	12,174	10,381
Non-interest income:					
Service charges and other customer-related fees	595	557	452	2,106	1,979
Interchange fees, net	459	452	346	1,647	1,318
Net other-than-temporary impairment losses recognized in earnings	(12)	(13)	(6)	(52)	(21)
Bargain purchase gain ⁽⁵⁾	–	–	–	594	–
Other ⁽⁴⁾	54	140	76	512	262
Total non-interest income	1,096	1,136	868	4,807	3,538
Non-interest expense:					
Salaries and associate benefits	1,039	1,002	817	3,876	3,023
Occupancy and equipment	384	354	268	1,331	1,029
Marketing	393	316	420	1,364	1,337
Professional services	362	307	366	1,270	1,198
Communications and data processing	205	198	177	778	681
Amortization of intangibles ⁽⁷⁾	190	197	51	604	216
Merger-related expense ⁽⁷⁾	69	48	27	336	45
Other	613	623	492	2,387	1,803
Total non-interest expense	3,255	3,045	2,618	11,946	9,332
Income from continuing operations before income taxes	1,218	1,723	571	5,035	4,587
Income tax provision	370	535	160	1,301	1,334
Income from continuing operations, net of tax	848	1,188	411	3,734	3,253
Loss from discontinued operations, net of tax ⁽⁴⁾	(5)	(10)	(4)	(217)	(106)
Net income	843	1,178	407	3,517	3,147
Dividends and undistributed earnings allocated to participating securities ⁽⁸⁾	(3)	(5)	(26)	(15)	(26)
Preferred stock dividends	(15)	–	–	(15)	–

Net income available to common stockholders	<u>\$ 825</u>	<u>\$ 1,173</u>	<u>\$ 381</u>	<u>\$3,487</u>	<u>\$3,121</u>
Basic earnings per common share:⁽⁸⁾					
Income from continuing operations	\$ 1.43	\$ 2.05	\$ 0.89	\$6.60	\$7.08
Loss from discontinued operations	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.01)</u>	<u>(0.39)</u>	<u>(0.23)</u>
Net income per basic common share	<u>\$ 1.42</u>	<u>\$ 2.03</u>	<u>\$ 0.88</u>	<u>\$6.21</u>	<u>\$6.85</u>
Diluted earnings per common share:⁽⁸⁾					
Income from continuing operations	\$ 1.42	\$ 2.03	\$ 0.89	\$6.54	\$7.03
Loss from discontinued operations	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.01)</u>	<u>(0.38)</u>	<u>(0.23)</u>
Net income per diluted common share	<u>\$ 1.41</u>	<u>\$ 2.01</u>	<u>\$ 0.88</u>	<u>\$6.16</u>	<u>\$6.80</u>
Weighted average common shares outstanding (in millions):⁽⁸⁾					
Basic EPS	579.2	578.3	456.2	561.1	455.5
Diluted EPS	585.6	584.1	458.5	566.5	459.1
Dividends paid per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$0.20	\$0.20

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Table 3: Consolidated Balance Sheets

<i>(Dollars in millions) (unaudited)</i>	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Assets:			
Cash and due from banks	\$ 3,440	\$ 1,855	\$ 2,097
Interest-bearing deposits with banks	7,617	3,860	3,399
Federal funds sold and securities purchased under agreements to resell	1	254	342
Cash and cash equivalents	11,058	5,969	5,838
Restricted cash for securitization investors	428	760	791
Securities available for sale, at fair value	63,979	61,464	38,759
Loans held for investment:			
Unsecuritized loans held for investment	163,341	159,219	88,242
Restricted loans for securitization investors	42,548	43,913	47,650
Total loans held for investment	205,889	203,132	135,892
Less: Allowance for loan and lease losses	(5,156)	(5,154)	(4,250)
Net loans held for investment	200,733	197,978	131,642
Loans held for sale, at lower-of-cost-or-fair-value	201	187	201
Premises and equipment, net	3,587	3,519	2,748
Interest receivable	1,694	1,614	1,029
Goodwill	13,904	13,901	13,592
Other	17,334	16,597	11,419
Total assets	\$ 312,918	\$ 301,989	\$ 206,019
Liabilities:			
Interest payable	\$ 450	\$ 368	\$ 466
Customer deposits:			
Non-interest bearing deposits	22,467	20,767	18,281
Interest-bearing deposits	190,018	192,488	109,945
Total customer deposits	212,485	213,255	128,226
Securitized debt obligations	11,398	12,686	16,527
Other debt:			
Federal funds purchased and securities loaned or sold under agreements to repurchase	1,248	967	1,464
Senior and subordinated notes	12,686	11,756	11,034
Other borrowings	24,578	12,968	10,536
Total other debt	38,512	25,691	23,034
Other liabilities	9,574	10,317	8,100
Total liabilities	272,419	262,317	176,353
Stockholders' equity:			
Preferred stock	853	853	-
Common stock	6	6	5
Paid-in capital, net	25,335	25,265	19,274
Retained earnings and accumulated other comprehensive income	17,592	16,835	13,631
Treasury stock, at cost	(3,287)	(3,287)	(3,244)

Total stockholders' equity	<u>40,499</u>	<u>39,672</u>	<u>29,666</u>
Total liabilities and stockholders' equity	<u><u>\$ 312,918</u></u>	<u><u>\$ 301,989</u></u>	<u><u>\$ 206,019</u></u>

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Table 4: Notes to Consolidated Financial Statements & Statistical Summary (Tables 1-3)

- (1) Certain prior period amounts have been reclassified to conform to the current period presentation.
- (2) Results for Q2 2012 and thereafter include the impact of the May 1, 2012 closing of the HSBC transaction, which resulted in the addition of approximately \$28.2 billion in credit card receivables at closing.
- (3) Results for Q1 2012 and thereafter include the impact of the February 17, 2012 acquisition of ING Direct, which resulted in the addition of loans of \$40.4 billion, other assets of \$53.9 billion and deposits of \$84.4 billion at acquisition.
- (4) We did not record a provision for mortgage representation and warranty losses in Q4 or Q3 2012. We recorded a provision for mortgage representation and warranty losses of \$180 million in Q2 2012, \$169 million in Q1 2012 and \$59 million in Q4 2011. The majority of the provision for representation and warranty losses is generally included net of tax in discontinued operations, with the remaining amount included pre-tax in non-interest income. The mortgage representation and warranty reserve decreased to \$899 million as of December 31, 2012, from \$919 million as of September 30, 2012, due to the settlement of claims in Q4 2012 totaling \$20 million.
- (5) Includes a bargain purchase gain of \$594 million recognized in earnings in Q1 2012 attributable to the February 17, 2012 acquisition of ING Direct. Represents the excess of the fair value of the net assets acquired in the ING Direct acquisition as of the acquisition date of February 17, 2012 over the consideration transferred.
- (6) Total net revenue was reduced by \$318 million in Q4 2012, \$185 million in Q3 2012, \$311 million in Q2 2012, \$123 million in Q1 2012 and \$130 million in Q4 2011, for the estimated uncollectible amount of billed finance charges and fees. Premium amortization related to the ING Direct and HSBC U.S. card acquisitions reduced revenue by \$124 million in Q4 2012, \$133 million in Q3 2012, \$104 million in Q2 2012, and \$30 million in Q1 2012.
- (7) Includes merger-related expenses, including transaction costs, attributable to acquisitions of \$69 million in Q4 2012, \$48 million in Q3 2012, \$133 million in Q2 2012, \$86 million in Q1 2012 and \$27 million in Q4 2011. Also includes intangible amortization expense related to purchased credit card relationships ("PCCR") from the HSBC U.S. card acquisition of \$122 million in Q4 2012, \$127 million in Q3 2012 and \$85 million in Q2 2012. Other asset and intangible amortization expense related to the ING Direct and HSBC U.S. Card acquisitions totaled \$48 million in Q4 2012, \$42 million in Q3 2012, \$41 million in Q2 2012, and \$16 million in Q1 2012.
- (8) Dividends and undistributed earnings allocated to participating securities and EPS are computed independently for each period. Accordingly, the sum of each quarter may not agree to the year-to-date total.
- (9) Tangible book value per common share is a non-GAAP measure calculated based on tangible common equity divided by common shares outstanding. See "Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures" for additional information.
- (10) See "Table 12: Notes to Loan and Business Segment Disclosures (Tables 6 – 11)" for information on acquired loans accounted for based on estimated cash flows expected to be collected.
- (11) Calculated based on annualized total net revenue for the period divided by average interest-earning assets for the period.
- (12) Calculated based on annualized net interest income for the period divided by average interest-earning assets for the period.
- (13) Calculated based on annualized income from continuing operations, net of tax, for the period divided by average total assets for the period.
- (14) Calculated based on annualized income from continuing operations, net of tax, for the period divided by average stockholders' equity for the period.
- (15) Calculated based on annualized income from continuing operations, net of tax, for the period divided by average tangible common equity for the period. See "Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures" for additional information.
- (16) Calculated based on annualized non-interest expense for the period divided by average loans held for investment for the period.
- (17) Calculated based on non-interest expense, excluding goodwill impairment charges, for the period divided by total net revenue for the period.
- (18) Loans acquired as part of the CCB, ING Direct and HSBC U.S. card acquisitions classified as held for investment are included in the denominator used in calculating our reported credit quality metrics. We supplement certain reported credit quality metrics with metrics adjusted to exclude from the denominator acquired loans accounted for based on estimated expected cash flows to be collected (formerly SOP 03-3). See "Table 7: Loan Information and Performance Statistics (Excluding Acquired Loans)" for additional information.
- (19) Calculated based on annualized net charge-offs for the period divided by average loans held for investment for the period.
- (20) The 30+ day total delinquency rate as of the end of Q4 2012 will be provided in the Annual Report on Form 10-K for the year ended December 31, 2012.
- (21) Regulatory capital ratios as of the end of Q4 2012 are preliminary and therefore subject to change.

- (22) Tier 1 common ratio is a regulatory capital measure calculated based on Tier 1 common capital divided by risk-weighted assets. See “Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for additional information.
- (23) Tier 1 risk-based capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by risk-weighted assets. See “Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for additional information.
- (24) Total risk-based capital ratio is a regulatory capital measure calculated based on total risk-based capital divided by risk-weighted assets. See “Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for additional information.
- (25) TCE ratio is a non-GAAP measure calculated based on tangible common equity divided by tangible assets. See “Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for additional information.
- (26) The previously reported TCE as of the end of Q3 2012 has been revised to exclude noncumulative perpetual preferred stock. See “Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures” for additional information.

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Table 5: Average Balances, Net Interest Income and Net Interest Margin

<i>(Dollars in millions)(unaudited)</i>	2012 Q4			2012 Q3			2011 Q4		
	Average Balance	Interest		Average Balance	Interest		Average Balance	Interest	
		Income/ Expense	Yield/ Rate		Income/ Expense	Yield/ Rate		Income/ Expense	Yield/ Rate
Interest-earning assets:									
Cash equivalents and other	\$10,768	\$28	1.04%	\$6,019	\$18	1.20%	\$5,685	\$17	1.20 %
Securities available for sale	64,174	361	2.25	57,928	335	2.31	39,005	244	2.50
Loans held for investment	202,944	4,726	9.31	202,856	4,901	9.66	131,581	3,440	10.46
Total interest-earning assets	<u>\$277,886</u>	<u>\$5,115</u>	<u>7.36%</u>	<u>\$266,803</u>	<u>\$5,254</u>	<u>7.88%</u>	<u>\$176,271</u>	<u>\$3,701</u>	<u>8.40 %</u>
Interest-bearing liabilities:									
Interest-bearing deposits	\$192,122	\$348	0.72%	\$193,700	\$371	0.77%	\$109,914	\$264	0.96 %
Securitized debt obligations	12,119	58	1.91	13,331	64	1.92	16,780	80	1.91
Senior and subordinated notes	11,528	85	2.95	11,035	85	3.08	10,237	89	3.48
Other borrowings	20,542	96	1.87	12,085	88	2.91	7,794	86	4.41
Total interest-bearing liabilities	<u>\$236,311</u>	<u>\$587</u>	<u>0.99%</u>	<u>\$230,151</u>	<u>\$608</u>	<u>1.06%</u>	<u>\$144,725</u>	<u>\$519</u>	<u>1.43 %</u>
Net interest income/spread		<u>\$4,528</u>	<u>6.37%</u>		<u>\$4,646</u>	<u>6.82%</u>		<u>\$3,182</u>	<u>6.97 %</u>
Impact of non-interest bearing funding			<u>0.15</u>			<u>0.15</u>			<u>0.25</u>
Net interest margin			<u>6.52%</u>			<u>6.97%</u>			<u>7.22 %</u>

<i>(Dollars in millions)(unaudited)</i>	Year Ended December 31,					
	2012			2011		
	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Interest-earning assets:						
Cash equivalents and other	\$9,740	\$98	1.01%	\$7,328	\$76	1.04 %
Investment securities	57,424	1,329	2.31	39,513	1,137	2.88
Loans held for investment	187,915	17,537	9.33	128,424	13,774	10.73
Total interest-earning assets	<u>\$255,079</u>	<u>\$18,964</u>	<u>7.43%</u>	<u>\$175,265</u>	<u>\$14,987</u>	<u>8.55 %</u>
Interest-bearing liabilities:						
Interest-bearing deposits	\$183,314	\$1,403	0.77%	\$109,644	\$1,187	1.08 %
Securitized debt obligations	14,138	271	1.92	20,715	422	2.04
Senior and subordinated notes	11,012	345	3.13	9,244	300	3.25
Other borrowings	12,875	356	2.77	8,063	337	4.18
Total interest-bearing liabilities	<u>\$221,339</u>	<u>\$2,375</u>	<u>1.07%</u>	<u>\$147,666</u>	<u>\$2,246</u>	<u>1.52 %</u>
Net interest income/spread		<u>\$16,589</u>	<u>6.36%</u>		<u>\$12,741</u>	<u>7.03 %</u>
Impact of non-interest bearing funding			<u>0.14</u>			<u>0.24</u>
Net interest margin			<u>6.50%</u>			<u>7.27 %</u>

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Table 6: Loan Information and Performance Statistics⁽¹⁾⁽²⁾⁽³⁾

	2012	2012	2012	2012	2011					
<i>(Dollars in millions)(unaudited)</i>	Q4	Q3	Q2	Q1	Q4					
Period-end Loans Held For Investment										
Credit card:										
Domestic credit card	\$83,141	\$80,621	\$80,798	\$53,173	\$56,609					
International credit card	8,614	8,412	8,116	8,303	8,466					
Total credit card	91,755	89,033	88,914	61,476	65,075					
Consumer banking:										
Automobile	27,123	26,434	25,251	23,568	21,779					
Home loan	44,100	46,275	48,224	49,550	10,433					
Retail banking	3,904	4,029	4,140	4,182	4,103					
Total consumer banking	75,127	76,738	77,615	77,300	36,315					
Commercial banking: ⁽⁴⁾										
Commercial and multifamily real estate	17,732	16,963	16,254	15,702	15,736					
Commercial and industrial	19,892	18,965	18,467	17,761	17,088					
Total commercial lending	37,624	35,928	34,721	33,463	32,824					
Small-ticket commercial real estate	1,196	1,281	1,335	1,443	1,503					
Total commercial banking	38,820	37,209	36,056	34,906	34,327					
Other loans	187	152	164	140	175					
Total	\$205,889	\$203,132	\$202,749	\$173,822	\$135,892					
Average Loans Held For Investment										
Credit card:										
Domestic credit card	\$80,718	\$80,502	\$71,468	\$54,131	\$54,403					
International credit card	8,372	8,154	8,194	8,301	8,361					
Total credit card	89,090	88,656	79,662	62,432	62,764					
Consumer banking:										
Automobile	26,881	25,923	24,487	22,582	21,101					
Home loan	45,250	47,262	48,966	29,502	10,683					
Retail banking	3,967	4,086	4,153	4,179	4,007					
Total consumer banking	76,098	77,271	77,606	56,263	35,791					
Commercial banking: ⁽⁴⁾										
Commercial and multifamily real estate	17,005	16,654	15,838	15,514	14,920					
Commercial and industrial	19,344	18,817	18,001	17,038	16,376					
Total commercial lending	36,349	35,471	33,839	32,552	31,296					
Small-ticket commercial real estate	1,249	1,296	1,388	1,480	1,547					
Total commercial banking	37,598	36,767	35,227	34,032	32,843					
Other loans	158	162	137	173	183					
Total	\$202,944	\$202,856	\$192,632	\$152,900	\$131,581					
Net Charge-off Rates⁽⁵⁾										
Credit card:										
Domestic credit card	4.35	%	3.04	%	2.86	%	3.92	%	4.07	%
International credit card ⁽⁸⁾	3.99		4.95		5.49		5.52		5.77	

Total credit card	<u>4.32</u>	<u>3.22</u>	<u>3.13</u>	<u>4.14</u>	<u>4.30</u>
Consumer Banking:					
Automobile	<u>2.24</u>	<u>1.79</u>	<u>1.11</u>	<u>1.41</u>	<u>2.07</u>
Home loan	<u>(0.06)</u>	<u>0.28</u>	<u>0.09</u>	<u>0.20</u>	<u>0.90</u>
Retail banking	<u>2.45</u>	<u>1.20</u>	<u>1.27</u>	<u>1.39</u>	<u>1.44</u>
Total consumer banking	<u>0.88</u>	<u>0.83</u>	<u>0.48</u>	<u>0.77</u>	<u>1.65</u>
Commercial banking:(4)					
Commercial and multifamily real estate	<u>(0.08)</u>	<u>(0.05)</u>	<u>0.18</u>	<u>0.09</u>	<u>0.75</u>
Commercial and industrial	<u>0.13</u>	<u>-</u>	<u>0.10</u>	<u>(0.08)</u>	<u>0.21</u>
Total commercial lending	<u>0.03</u>	<u>(0.03)</u>	<u>0.14</u>	<u>-</u>	<u>0.47</u>
Small-ticket commercial real estate	<u>2.02</u>	<u>0.79</u>	<u>1.46</u>	<u>4.24</u>	<u>3.73</u>
Total commercial banking	<u>0.10</u>	<u>-</u>	<u>0.19</u>	<u>0.19</u>	<u>0.62</u>
Other loans	<u>24.23</u>	<u>30.11</u>	<u>18.04</u>	<u>23.30</u>	<u>24.08</u>
Total	<u>2.26 %</u>	<u>1.75 %</u>	<u>1.53 %</u>	<u>2.04 %</u>	<u>2.69 %</u>

30+ Day Performing Delinquency Rates(5)

Credit card:(7)					
Domestic credit card	<u>3.61 %</u>	<u>3.52 %</u>	<u>2.79 %</u>	<u>3.25 %</u>	<u>3.66 %</u>
International credit card	<u>3.58</u>	<u>4.92</u>	<u>4.84</u>	<u>5.14</u>	<u>5.18</u>
Total credit card	<u>3.61 %</u>	<u>3.65 %</u>	<u>2.97 %</u>	<u>3.51 %</u>	<u>3.86 %</u>
Consumer Banking:					
Automobile	<u>7.00 %</u>	<u>6.12 %</u>	<u>5.20 %</u>	<u>4.87 %</u>	<u>6.88 %</u>
Home loan	<u>0.13</u>	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>	<u>0.89</u>
Retail banking	<u>0.76</u>	<u>0.73</u>	<u>0.69</u>	<u>0.80</u>	<u>0.83</u>
Total consumer banking	<u>2.65 %</u>	<u>2.23 %</u>	<u>1.82 %</u>	<u>1.63 %</u>	<u>4.47 %</u>

Nonperforming Asset Rates⁽⁵⁾⁽⁶⁾Credit card:⁽⁷⁾

International credit card	1.16	%	–	%	–	%	–	%	–	%
Total credit card	0.11	%	–	%	–	%	–	%	–	%

Consumer banking:

Automobile	0.63	%	0.52	%	0.41	%	0.32	%	0.58	%
Home loan	1.00		0.98		0.94		0.94		4.58	
Retail banking	1.85		2.25		2.21		2.25		2.50	
Total consumer banking	0.91	%	0.89	%	0.83	%	0.82	%	1.94	%

Commercial banking:⁽⁴⁾

Commercial and multifamily real estate	0.82	%	1.04	%	1.28	%	1.55	%	1.40	%
Commercial and industrial	0.72		0.68		0.81		0.69		0.80	
Total commercial lending	0.77	%	0.85	%	1.03	%	1.09	%	1.09	%
Small-ticket commercial real estate	0.97		1.49		1.25		4.35		2.86	
Total commercial banking	0.77	%	0.87	%	1.04	%	1.23	%	1.17	%

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Table 7: Loan Information and Performance Statistics (Excluding Acquired Loans) ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾

	2012	2012	2012	2012	2011
<i>(Dollars in millions)(unaudited)</i>	Q4	Q3	Q2	Q1	Q4
Period-end Loans Held For Investment (Excluding Acquired Loans)					
Credit card:					
Domestic credit card	\$82,853	\$80,250	\$80,269	\$53,173	\$56,609
International credit card	8,614	8,412	8,116	8,303	8,466
Total credit card	91,467	88,662	88,385	61,476	65,075
Consumer banking:					
Automobile	27,106	26,411	25,221	23,530	21,732
Home loan	7,697	7,719	7,582	6,967	6,321
Retail banking	3,870	3,990	4,099	4,142	4,058
Total consumer banking	38,673	38,120	36,902	34,639	32,111
Commercial banking: ⁽⁴⁾					
Commercial and multifamily real estate	17,605	16,800	16,064	15,490	15,573
Commercial and industrial	19,660	18,729	18,226	17,503	16,770
Total commercial lending	37,265	35,529	34,290	32,993	32,343
Small-ticket commercial real estate	1,196	1,281	1,335	1,443	1,503
Total commercial banking	38,461	36,810	35,625	34,436	33,846
Other loans	154	152	164	140	175
Total	\$168,755	\$163,744	\$161,076	\$130,691	\$131,207
Average Loans Held For Investment (Excluding Acquired Loans)					
Credit card:					
Domestic credit card	\$80,407	\$80,079	\$71,080	\$54,131	\$54,403
International credit card	8,372	8,154	8,194	8,301	8,361
Total credit card	88,779	88,233	79,274	62,432	62,764
Consumer banking:					
Automobile	26,861	25,897	24,454	22,540	21,049
Home loan	8,092	7,996	7,686	6,994	6,483
Retail banking	3,931	4,046	4,110	4,136	3,962
Total consumer banking	38,884	37,939	36,250	33,670	31,494
Commercial banking: ⁽⁴⁾					
Commercial and multifamily real estate	16,871	16,489	15,646	15,328	14,757
Commercial and industrial	19,115	18,579	17,755	16,750	16,055
Total commercial lending	35,986	35,068	33,401	32,078	30,812
Small-ticket commercial real estate	1,249	1,296	1,388	1,480	1,547
Total commercial banking	37,235	36,364	34,789	33,558	32,359
Other loans	147	162	137	173	183
Total	\$165,045	\$162,698	\$150,450	\$129,833	\$126,800
Net Charge-off Rates (Excluding Acquired Loans)					
Credit card:					
Domestic credit card	4.37 %	3.06 %	2.87 %	3.92 %	4.07 %

International credit card ⁽⁸⁾	<u>3.99</u>	<u>4.95</u>	<u>5.49</u>	<u>5.52</u>	<u>5.77</u>
Total credit card	<u>4.33</u>	<u>3.23</u>	<u>3.14</u>	<u>4.14</u>	<u>4.30</u>
Consumer Banking:					
Automobile	<u>2.24</u>	<u>1.79</u>	<u>1.11</u>	<u>1.41</u>	<u>2.07</u>
Home loan	<u>(0.33)</u>	<u>1.65</u>	<u>0.60</u>	<u>0.82</u>	<u>1.48</u>
Retail banking	<u>2.48</u>	<u>1.22</u>	<u>1.29</u>	<u>1.40</u>	<u>1.46</u>
Total consumer banking	<u>1.73</u>	<u>1.70</u>	<u>1.02</u>	<u>1.29</u>	<u>1.87</u>
Commercial banking: ⁽⁴⁾					
Commercial and multifamily real estate	<u>(0.08)</u>	<u>(0.05)</u>	<u>0.18</u>	<u>0.09</u>	<u>0.76</u>
Commercial and industrial	<u>0.13</u>	<u>-</u>	<u>0.10</u>	<u>(0.08)</u>	<u>0.22</u>
Total commercial lending	<u>0.03</u>	<u>(0.03)</u>	<u>0.14</u>	<u>0.01</u>	<u>0.48</u>
Small-ticket commercial real estate	<u>2.02</u>	<u>0.79</u>	<u>1.46</u>	<u>4.24</u>	<u>3.73</u>
Total commercial banking	<u>0.10</u>	<u>-</u>	<u>0.19</u>	<u>0.19</u>	<u>0.63</u>
Other loans	<u>26.05</u>	<u>30.11</u>	<u>18.04</u>	<u>23.30</u>	<u>24.08</u>
Total	<u>2.78 %</u>	<u>2.18 %</u>	<u>1.96 %</u>	<u>2.40 %</u>	<u>2.79 %</u>

30+ Day Performing Delinquency Rates (Excluding Acquired Loans)

Credit card: ⁽⁷⁾					
Domestic credit card	<u>3.62 %</u>	<u>3.53 %</u>	<u>2.81 %</u>	<u>3.25 %</u>	<u>3.66 %</u>
International credit card	<u>3.58</u>	<u>4.92</u>	<u>4.84</u>	<u>5.14</u>	<u>5.18</u>
Total credit card	<u>3.62 %</u>	<u>3.67 %</u>	<u>2.99 %</u>	<u>3.51 %</u>	<u>3.86 %</u>
Consumer Banking:					
Automobile	<u>7.01 %</u>	<u>6.12 %</u>	<u>5.20 %</u>	<u>4.88 %</u>	<u>6.90 %</u>
Home loan	<u>0.77</u>	<u>0.89</u>	<u>0.93</u>	<u>1.10</u>	<u>1.47</u>
Retail banking	<u>0.77</u>	<u>0.74</u>	<u>0.70</u>	<u>0.81</u>	<u>0.84</u>
Total consumer banking	<u>5.14 %</u>	<u>4.50 %</u>	<u>3.82 %</u>	<u>3.63 %</u>	<u>5.06 %</u>

Nonperforming Asset Rates (Excluding Acquired Loans) ⁽⁵⁾⁽⁶⁾Credit card: ⁽⁷⁾

International credit card	1.16	%	–	%	–	%	–	%	–	%
Total credit card	0.11	%	–	%	–	%	–	%	–	%

Consumer banking:

Automobile	0.63	%	0.52	%	0.41	%	0.32	%	0.58	%
Home loan	5.69		5.85		5.96		6.66		7.55	
Retail banking	1.86		2.27		2.24		2.28		2.52	
Total consumer banking	1.76	%	1.78	%	1.75	%	1.83	%	2.20	%

Commercial banking: ⁽⁴⁾

Commercial and multifamily real estate	0.83	%	1.05	%	1.29	%	1.57	%	1.42	%
Commercial and industrial	0.72		0.69		0.82		0.70		0.81	
Total commercial lending	0.77		0.86		1.04		1.11		1.10	
Small-ticket commercial real estate	0.97		1.49		1.25		4.35		2.86	
Total commercial banking	0.78	%	0.88	%	1.05	%	1.25	%	1.18	%

CAPITAL ONE FINANCIAL CORPORATION (COF)
Table 8: Financial & Statistical Summary–Credit Card Business ⁽²⁾

	2012	2012	2012	2012	2011
	Q4	Q3	Q2	Q1	Q4
<i>(Dollars in millions) (unaudited)</i>					
Credit Card					
Earnings:					
Net interest income	\$2,849	\$2,991	\$2,350	\$1,992	\$1,949
Non-interest income	883	826	771	598	638
Total net revenue	3,732	3,817	3,121	2,590	2,587
Provision for credit losses	1,000	892	1,711	458	600
Non-interest expense	1,933	1,790	1,863	1,268	1,431
Income (loss) from continuing operations before taxes	799	1,135	(453)	864	556
Income tax provision (benefit)	279	394	(156)	298	203
Income (loss) from continuing operations, net of tax	\$520	\$741	\$(297)	\$566	\$353
Selected performance metrics:					
Period-end loans held for investment	\$91,755	\$89,033	\$88,914	\$61,476	\$65,075
Average loans held for investment	89,090	88,656	79,662	62,432	62,764
Average yield on loans held for investment	14.33 %	15.03 %	13.42 %	14.41 %	14.12 %
Total net revenue margin	16.76	17.22	15.67	16.59	16.49
Net charge-off rate ⁽⁵⁾⁽⁸⁾	4.32	3.22	3.13	4.14	4.30
30+ day delinquency rate ⁽⁵⁾	3.61	3.65	2.97	3.51	3.86
Nonperforming loan rate ⁽⁵⁾⁽⁷⁾	0.11	–	–	–	–
Purchase volume ⁽⁹⁾	\$52,853	\$48,020	\$45,228	\$34,498	\$38,179
Domestic Card					
Earnings:					
Net interest income	\$2,583	\$2,715	\$2,118	\$1,713	\$1,706
Non-interest income	798	722	708	497	613
Total net revenue	3,381	3,437	2,826	2,210	2,319
Provision for credit losses	\$911	811	1,600	361	519
Non-interest expense	1,727	1,584	1,634	1,052	1,183
Income (loss) from continuing operations before taxes	743	1,042	(408)	797	617
Income tax provision (benefit)	263	369	(144)	282	222
Income (loss) from continuing operations, net of tax	\$480	\$673	\$(264)	\$515	\$395
Selected performance metrics:					
Period-end loans held for investment	\$83,141	\$80,621	\$80,798	\$53,173	\$56,609
Average loans held for investment	80,718	80,502	71,468	54,131	54,403
Average yield on loans held for investment	14.20 %	14.88 %	13.33 %	14.11 %	14.05 %
Total net revenue margin	16.75	17.08	15.82	16.33	17.05
Net charge-off rate ⁽⁵⁾	4.35	3.04	2.86	3.92	4.07
30+ day delinquency rate ⁽⁵⁾	3.61	3.52	2.79	3.25	3.66
Purchase volume ⁽⁹⁾	\$48,918	\$44,552	\$41,807	\$31,417	\$34,586
International Card					
Earnings:					
Net interest income	\$266	\$276	\$232	\$279	\$243

Non-interest income	<u>85</u>	<u>104</u>	<u>63</u>	<u>101</u>	<u>25</u>
Total net revenue	351	380	295	380	268
Provision for credit losses	89	81	111	97	81
Non-interest expense	<u>206</u>	<u>206</u>	<u>229</u>	<u>216</u>	<u>248</u>
Income (loss) from continuing operations before taxes	56	93	(45)	67	(61)
Income tax provision (benefit)	<u>16</u>	<u>25</u>	<u>(12)</u>	<u>16</u>	<u>(19)</u>
Income (loss) from continuing operations, net of tax	<u>\$40</u>	<u>\$68</u>	<u>\$(33)</u>	<u>\$51</u>	<u>\$(42)</u>

Selected performance metrics:

Period-end loans held for investment	\$8,614	\$8,412	\$8,116	\$8,303	\$8,466
Average loans held for investment	8,372	8,154	8,194	8,301	8,361
Average yield on loans held for investment	15.59 %	16.47 %	14.18 %	16.38 %	14.57 %
Total net revenue margin	16.77	18.64	14.40	18.31	12.82
Net charge-off rate ⁽⁸⁾	3.99	4.95	5.49	5.52	5.77
30+ day delinquency rate	3.58	4.92	4.84	5.14	5.18
Nonperforming loan rate ⁽⁷⁾	1.16	–	–	–	–
Purchase volume ⁽⁹⁾	\$3,935	\$3,468	\$3,421	\$3,081	\$3,593

CAPITAL ONE FINANCIAL CORPORATION (COF)

Table 9: Financial & Statistical Summary–Consumer Banking Business⁽³⁾

	2012	2012	2012	2012	2011
<i>(Dollars in millions) (unaudited)</i>	Q4	Q3	Q2	Q1	Q4
Consumer Banking					
Earnings:					
Net interest income	\$1,503	\$1,501	\$1,496	\$1,288	\$1,105
Non-interest income	161	260	185	176	152
Total net revenue	1,664	1,761	1,681	1,464	1,257
Provision for credit losses	169	202	44	174	180
Non-interest expense	992	977	959	943	893
Income from continuing operations before taxes	503	582	678	347	184
Income tax provision	178	206	240	123	67
Income from continuing operations, net of tax	\$325	\$376	\$438	\$224	\$117
Selected performance metrics:					
Period-end loans held for investment	\$75,127	\$76,738	\$77,615	\$77,300	\$36,315
Average loans held for investment	76,098	77,271	77,606	56,263	35,791
Average yield on loans held for investment	5.94 %	6.05 %	6.17 %	7.20 %	9.46 %
Auto loan originations	\$3,479	\$3,905	\$4,306	\$4,270	\$3,586
Period-end deposits	172,396	173,100	173,966	176,007	88,540
Average deposits	172,654	173,334	174,416	129,915	88,390
Deposit interest expense rate	0.68 %	0.71 %	0.70 %	0.73 %	0.84 %
Core deposit intangible amortization	\$39	\$41	\$42	\$37	\$31
Net charge-off rate ⁽⁵⁾	0.88 %	0.83 %	0.48 %	0.77 %	1.65 %
30+ day performing delinquency rate ⁽⁵⁾	2.65	2.23	1.82	1.63	4.47
30+ day delinquency rate ⁽⁵⁾⁽¹⁰⁾	**	2.91	2.47	2.25	5.99
Nonperforming loan rate ⁽⁵⁾	0.85	0.84	0.79	0.77	1.79
Nonperforming asset rate ⁽⁵⁾⁽⁶⁾	0.91	0.89	0.83	0.82	1.94
Period-end loans serviced for others	\$15,333	\$15,659	\$16,108	\$17,586	\$17,998

CAPITAL ONE FINANCIAL CORPORATION (COF)
Table 10: Financial & Statistical Summary—Commercial Banking Business⁽³⁾⁽⁴⁾

	2012	2012	2012	2012	2011
(Dollars in millions) (unaudited)	Q4	Q3	Q2	Q1	Q4
Commercial Banking					
Earnings:					
Net interest income	\$450	\$432	\$427	\$431	\$425
Non-interest income	86	87	82	85	87
Total net revenue ⁽¹¹⁾	536	519	509	516	512
Provision for credit losses	(20)	(87)	(94)	(69)	76
Non-interest expense	294	253	251	261	254
Income from continuing operations before taxes	262	353	352	324	182
Income tax provision	93	125	124	114	65
Income from continuing operations, net of tax	\$169	\$228	\$228	\$210	\$117
Selected performance metrics:					
Period-end loans held for investment	\$38,820	\$37,209	\$36,056	\$34,906	\$34,327
Average loans held for investment	37,598	36,767	35,227	34,032	32,843
Average yield on loans held for investment	4.15 %	4.14 %	4.27 %	4.47 %	4.70 %
Period-end deposits	\$29,866	\$28,670	\$27,784	\$28,046	\$26,683
Average deposits	29,476	28,063	27,943	27,569	26,185
Deposit interest expense rate	0.28 %	0.31 %	0.33 %	0.37 %	0.42 %
Core deposit intangible amortization	\$8	\$8	\$9	\$9	\$9
Net charge-off rate ⁽⁵⁾	0.10 %	— %	0.19 %	0.19 %	0.62 %
Nonperforming loan rate ⁽⁵⁾	0.73	0.82	0.99	1.15	1.08
Nonperforming asset rate ⁽⁵⁾⁽⁶⁾	0.77	0.87	1.04	1.23	1.17
Risk category:⁽¹²⁾					
Noncriticized	\$36,839	\$35,112	\$33,745	\$32,339	\$31,617
Criticized performing	1,340	1,394	1,524	1,695	1,857
Criticized nonperforming	282	305	356	402	372
Total risk-rated loans	38,461	36,811	35,625	34,436	33,846
Acquired commercial loans	359	398	431	470	481
Total commercial loans	\$38,820	\$37,209	\$36,056	\$34,906	\$34,327
% of period-end held for investment commercial loans:					
Noncriticized	94.9 %	94.4 %	93.6 %	92.6 %	92.1 %
Criticized performing	3.5	3.7	4.2	4.9	5.4
Criticized nonperforming	0.7	0.8	1.0	1.2	1.1
Total risk-rated loans	99.1	98.9	98.8	98.7	98.6
Acquired commercial loans	0.9	1.1	1.2	1.3	1.4
Total commercial loans	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

CAPITAL ONE FINANCIAL CORPORATION (COF)

Table 11: Financial & Statistical Summary—Other and Total⁽²⁾⁽³⁾

	2012	2012	2012	2012	2011
	Q4	Q3	Q2	Q1	Q4
<i>(Dollars in millions) (unaudited)</i>					
Other ⁽⁴⁾					
Earnings:					
Net interest expense	\$(274)	\$(278)	\$(272)	\$(297)	\$(297)
Non-interest income	(34)	(37)	16	662	(9)
Total net revenue	(308)	(315)	(256)	365	(306)
Provision for credit losses	2	7	16	10	5
Non-interest expense	36	25	69	32	40
Income (loss) from continuing operations before taxes	(346)	(347)	(341)	323	(351)
Income tax benefit	(180)	(190)	(165)	(182)	(175)
Income (loss) from continuing operations, net of tax	<u>\$(166)</u>	<u>\$(157)</u>	<u>\$(176)</u>	<u>\$505</u>	<u>\$(176)</u>
Selected performance metrics:					
Period-end loans held for investment	\$187	\$152	\$164	\$140	\$175
Average loans held for investment	158	162	137	173	183
Period-end deposits	10,223	11,485	12,181	12,475	13,003
Average deposits	11,364	11,926	12,555	12,775	13,875
Total					
Earnings:					
Net interest income	\$4,528	\$4,646	\$4,001	\$3,414	\$3,182
Non-interest income	1,096	1,136	1,054	1,521	868
Total net revenue	5,624	5,782	5,055	4,935	4,050
Provision for credit losses	1,151	1,014	1,677	573	861
Non-interest expense	3,255	3,045	3,142	2,504	2,618
Income from continuing operations before taxes	1,218	1,723	236	1,858	571
Income tax provision	370	535	43	353	160
Income from continuing operations, net of tax	<u>\$848</u>	<u>\$1,188</u>	<u>\$193</u>	<u>\$1,505</u>	<u>\$411</u>
Selected performance metrics:					
Period-end loans held for investment	\$205,889	\$203,132	\$202,749	\$173,822	\$135,892
Average loans held for investment	202,944	202,856	192,632	152,900	131,581
Period-end deposits	212,485	213,255	213,931	216,528	128,226
Average deposits	213,494	213,323	214,914	170,259	128,450

CAPITAL ONE FINANCIAL CORPORATION (COF)

Table 12: Notes to Loan and Business Segment Disclosures (Tables 6 – 11)

- (1) Certain prior period amounts have been reclassified to conform to the current period presentation.
- (2) Results for Q2 2012 and thereafter include the impact of the May 1, 2012 closing of the HSBC transaction, which resulted in the addition of approximately \$28.2 billion in credit card receivables at closing.
- (3) Results for Q1 2012 and thereafter include the impact of the February 17, 2012 acquisition of ING Direct, which resulted in the addition of loans of \$40.4 billion, other assets of \$53.9 billion and deposits of \$84.4 billion at acquisition.
- (4) In Q1 2012, we re-aligned the products within our Commercial Banking segment to reflect the business operations by product rather than by customer type. As a result of this re-alignment, we now report three product categories: commercial and multifamily real estate, commercial and industrial loans and small-ticket commercial real estate. Middle market and specialty lending related products are included in commercial and industrial loans. All tax-related affordable housing investments, some of which were previously included in the “Other” segment, are now included in the commercial and multifamily real estate category of our Commercial Banking segment. Prior period amounts have been recast to conform to the current period presentation.
- (5) Loans acquired as part of the CCB, ING Direct and HSBC U.S. card acquisitions are included in the denominator used in calculating the credit quality metrics presented in Tables 6, 8, 9, and 10. These metrics, adjusted to exclude from the denominator acquired loans accounted for based on estimated cash flows expected to be collected over the life of the loans (formerly SOP 03-3), are presented in Table 7. The table below presents amounts related to these acquired loans.

<i>(Dollars in millions) (unaudited)</i>	2012	2012	2012	2012	2011
	Q4	Q3	Q2	Q1	Q4
Acquired loans accounted for under SOP 03-3:					
Period-end unpaid principal balance	\$38,477	\$40,749	\$43,333	\$44,798	\$5,751
Period-end loans held for investment	37,134	39,388	41,673	43,131	4,685
Average loans held for investment	37,899	40,158	42,182	23,067	4,781

- (6) Nonperforming assets consist of nonperforming loans, real estate owned (“REO”) and other foreclosed assets. The nonperforming asset ratios are calculated based on nonperforming assets for each category divided by the combined period-end total of loans held for investment, REO and other foreclosed assets for each respective category.
- (7) As permitted by regulatory guidance, our policy is generally to exempt delinquent credit card loans from being classified as nonperforming. We continue to accrue finance charges and fees on the substantial majority of our credit card loans until the loan is charged off, typically when the account becomes 180 days past due. Effective November 2012, we began classifying UK loans as nonperforming when the account becomes 120 days past due.
- (8) The charge-off rate for UK card was impacted by two events in the quarter: *i.* In November 2012 we began charging off delinquent UK loans for which revolving privileges have been revoked as part of a loan workout when the account becomes 120 past due. We previously charged off such loans in the period the account became 180 days past due. Our revised charge-off policy for these loans is consistent with our charge-off practice for installment loans. As a result of this change, we recorded a cumulative charge-off adjustment which resulted in elevated International Card charge-offs for the month. *ii.* December 2012 included the impact of excess recoveries due to a high-volume of debt sales.
- (9) Includes credit card purchase transactions net of returns. Excludes cash advance transactions.
- (10) The 30+ day total delinquency rate as of the end of Q4 2012 will be provided in our Annual Report on Form 10-K for the year ended December 31, 2012.
- (11) Because some of our tax-related commercial investments generate tax-exempt income or tax credits, we make certain reclassifications within our Commercial Banking business results to present revenues on a taxable-equivalent basis, calculated assuming an effective tax rate approximately equal to our federal statutory tax rate of 35%.
- (12) Criticized exposures correspond to the “Special Mention,” “Substandard” and “Doubtful” asset categories defined by bank regulatory authorities.

CAPITAL ONE FINANCIAL CORPORATION (COF)

Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures

In addition to disclosing required regulatory capital measures, we also report certain non-GAAP capital measures that management uses in assessing its capital adequacy. These non-GAAP measures include average tangible common equity, tangible common equity (“TCE”) and TCE ratio. The table below provides the details of the calculation of our regulatory capital and non-GAAP capital measures. While our non-GAAP capital measures are widely used by investors, analysts and bank regulatory agencies to assess the capital position of financial services companies, they may not be comparable to similarly titled measures reported by other companies.

	2012	2012	2012	2012	2011
<i>(Dollars in millions)(unaudited)</i>	Q4	Q3	Q2	Q1	Q4
Average Equity to Non-GAAP Average Tangible Common Equity					
Average total stockholders' equity	\$40,212	\$38,535	\$37,533	\$32,982	\$29,698
Less: Average intangible assets ⁽¹⁾	(16,340)	(16,408)	(15,689)	(13,931)	(13,935)
Noncumulative perpetual preferred stock ⁽²⁾	(853)	(456)	–	–	–
Average tangible common equity ⁽³⁾	<u>\$23,019</u>	<u>\$21,671</u>	<u>\$21,844</u>	<u>\$19,051</u>	<u>\$15,763</u>
Stockholders' Equity to Non-GAAP Tangible Common Equity					
Total stockholders' equity	\$40,499	\$39,672	\$37,192	\$36,950	\$29,666
Less: Intangible assets ⁽¹⁾	(16,224)	(16,323)	(16,477)	(14,110)	(13,908)
Noncumulative perpetual preferred stock ⁽²⁾	(853)	(853)	–	–	–
Tangible common equity ⁽³⁾	<u>\$23,422</u>	<u>\$22,496</u>	<u>\$20,715</u>	<u>\$22,840</u>	<u>\$15,758</u>
Total Assets to Tangible Assets					
Total assets	\$312,918	\$301,989	\$296,572	\$294,481	\$206,019
Less: Assets from discontinued operations	(309)	(309)	(310)	(304)	(305)
Total assets from continuing operations	312,609	301,680	296,262	294,177	205,714
Less: Intangible assets ⁽¹⁾	(16,224)	(16,323)	(16,477)	(14,110)	(13,908)
Tangible assets	<u>\$296,385</u>	<u>\$285,357</u>	<u>\$279,785</u>	<u>\$280,067</u>	<u>\$191,806</u>
Non-GAAP TCE Ratio					
Tangible common equity ⁽³⁾	\$23,422	\$22,496	\$20,715	\$22,840	\$15,758
Tangible assets	296,385	285,357	279,785	280,067	191,806
TCE ratio ⁽³⁾	7.9 %	7.9 %	7.4 %	8.2 %	8.2 %
Regulatory Capital Ratios⁽⁴⁾					
Total stockholders' equity	\$40,499	\$39,672	\$37,192	\$36,950	\$29,666
Less: Net unrealized (gains) losses on AFS securities recorded in AOCI ⁽⁵⁾	(712)	(752)	(422)	(327)	(289)
Net (gains) losses on cash flow hedges recorded in AOCI ⁽⁵⁾	2	(6)	34	70	71
Disallowed goodwill and other intangible assets	(14,428)	(14,497)	(14,563)	(14,057)	(13,855)
Disallowed deferred tax assets	–	(221)	(758)	(902)	(534)
Noncumulative perpetual preferred stock ⁽²⁾	(853)	(853)	–	–	–
Other	(12)	(12)	(12)	(3)	(2)
Tier 1 common capital	24,496	23,331	21,471	21,731	15,057
Plus: Noncumulative perpetual preferred stock ⁽²⁾	853	853	–	–	–
Tier 1 restricted core capital items ⁽⁶⁾	2	3,636	3,636	3,636	3,635
Tier 1 capital	<u>25,351</u>	<u>27,820</u>	<u>25,107</u>	<u>25,367</u>	<u>18,692</u>
Plus: Long-term debt qualifying as Tier 2 capital	2,119	2,119	2,318	2,438	2,438
Qualifying allowance for loan and lease losses	2,819	2,767	2,740	2,314	1,979
Other Tier 2 components	13	17	15	17	23
Tier 2 capital	<u>4,951</u>	<u>4,903</u>	<u>5,073</u>	<u>4,769</u>	<u>4,440</u>

Total risk-based capital ⁽⁷⁾	\$30,302		\$32,723		\$30,180		\$30,136		\$23,132	
Risk-weighted assets ⁽⁸⁾	\$222,546		\$218,390		\$216,341		\$182,704		\$155,657	
Tier 1 common ratio ⁽⁹⁾	11.0	%	10.7	%	9.9	%	11.9	%	9.7	%
Tier 1 risk-based capital ratio ⁽¹⁰⁾	11.4		12.7		11.6		13.9		12.0	
Total risk-based capital ratio ⁽¹¹⁾	13.6		15.0		14.0		16.5		14.9	

(1) Includes impact from related deferred taxes.

(2) Noncumulative perpetual preferred stock qualifies for Tier 1 capital; however, it is not includable in Tier 1 common capital.

(3) TCE ratio calculated based on tangible common equity divided by tangible assets. The previously reported TCE as of the end of Q3 2012 has been revised to exclude noncumulative perpetual preferred stock.

(4) Regulatory capital ratios as of the end of Q4 2012 are preliminary and therefore subject to change.

(5) Amounts presented are net of tax.

(6) Consists primarily of trust preferred securities.

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

(8) Calculated based on prescribed regulatory guidelines.

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

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

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



Fourth Quarter 2012 Results

January 17, 2013

Forward-Looking Statements

Please note that the following materials containing information regarding Capital One's financial performance speak only as of the particular date or dates indicated in these materials. Capital One does not undertake any obligation to update or revise any of the information contained herein whether as a result of new information, future events or otherwise.

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

You should carefully consider the factors discussed above in evaluating these forward-looking statements. All information in these slides is based on the consolidated results of Capital One Financial Corporation, unless otherwise noted. A reconciliation of any non-GAAP financial measures included in this presentation can be found in Capital One's most recent Current Report on Form 8-K filed January 17, 2013, available on its website at www.capitalone.com under "Investors."

Highlights

Full year 2012 net income was \$3.5B or \$6.16 per share

- Completed acquisitions of ING Direct & HSBC's US Credit Card business
- Significant impact from acquisition-related credit accounting
- Enhanced balance sheet strength, Tier 1 Common Ratio of 11% as of 12/31/12

Q4 2012 net income was \$843MM or \$1.41 per share vs. \$1.18B or \$2.01 per share in Q3 2012

- Ending loan balance growth of \$2.8B; Average loan balances flat
- Net Interest Margin compression due largely to higher card revenue suppression and higher cash & investment balances
- Higher non-interest expense

Outlook

- Expect fourth quarter pre-provision earnings rate to continue
Modest decline in earning assets and improvement in margin
2013 non-interest expense of ~\$12.5B (inclusive of ~\$1.5B of marketing)
- Expect strong capital trajectory above Basel III target; begin planned capital distribution to shareholders

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Fourth quarter results

<i>\$ and shares in millions, except per share data</i>	Q4' 12	Q3' 12	Q2' 12	Highlights
Net interest income	4,528	4,646	4,001	
Non-interest income	1,096	1,136	1,054	
Total net revenue	5,624	5,782	5,055	(A) Total Revenue decline driven primarily by higher Card revenue suppression
Marketing	393	316	334	
Operating expense	2,862	2,729	2,808	
Non-interest expense	3,255	3,045	3,142	(B) Non-Interest Expense increase driven by year-end expense patterns including marketing
Pre-provision earnings	2,369	2,737	1,913	
Net charge-offs	1,150	887	738	(C) Charge-offs increase largely from a lack of SOP 03-3 impact on charge-offs
Allowance build/(release)	2	156	938	
Other	(1)	(29)	1	
Provision for credit losses	1,151	1,014	1,677	
Pretax income from continuing operations	1,218	1,723	236	
Income tax provision	370	535	43	
Operating earnings, net of tax	848	1,188	193	
Discontinued operations, net of tax	(5)	(10)	(100)	
Net income	843	1,178	93	
Net income avail to common stockholders	825	1,173	92	
Diluted earnings per common share	\$1.41	\$2.01	\$0.16	
Wtd avg common shares outstanding	585.6	584.1	582.8	

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Net Interest Margin decreased in the quarter

Average Balances & Margin Highlights

<i>(Dollars in millions)</i>	Q4' 12		Q3' 12	
	Average Balance	Yield/Rate	Average Balance	Yield/Rate
Interest-earning assets:				
Loans held for investment	\$ 202,944	9.31 %	\$ 202,856	9.66 %
Investment securities	64,174	2.25	57,928	2.31
Cash equivalents and other	10,768	1.04	6,019	1.20
Total interest-earning assets	\$ 277,886	7.36 %	\$ 266,803	7.88 %
Interest-bearing liabilities:				
Total interest-bearing deposits	\$ 192,122	0.72 %	\$ 193,700	0.77 %
Securitized debt obligations	12,119	1.91	13,331	1.92
Senior and subordinated notes	11,528	2.95	11,035	3.08
Other borrowings	20,542	1.87	12,085	2.91
Interest-bearing liabilities	\$ 236,311	0.99 %	\$ 230,151	1.06 %
Impact of non-interest bearing funding		0.15 %		0.15 %
Net interest margin		6.52 %		6.97 %

Q4 Margin Decrease

Lower asset yields driven by higher
Card revenue suppression
Higher level of cash & securities

Margin Outlook

Stable to modestly higher NIM

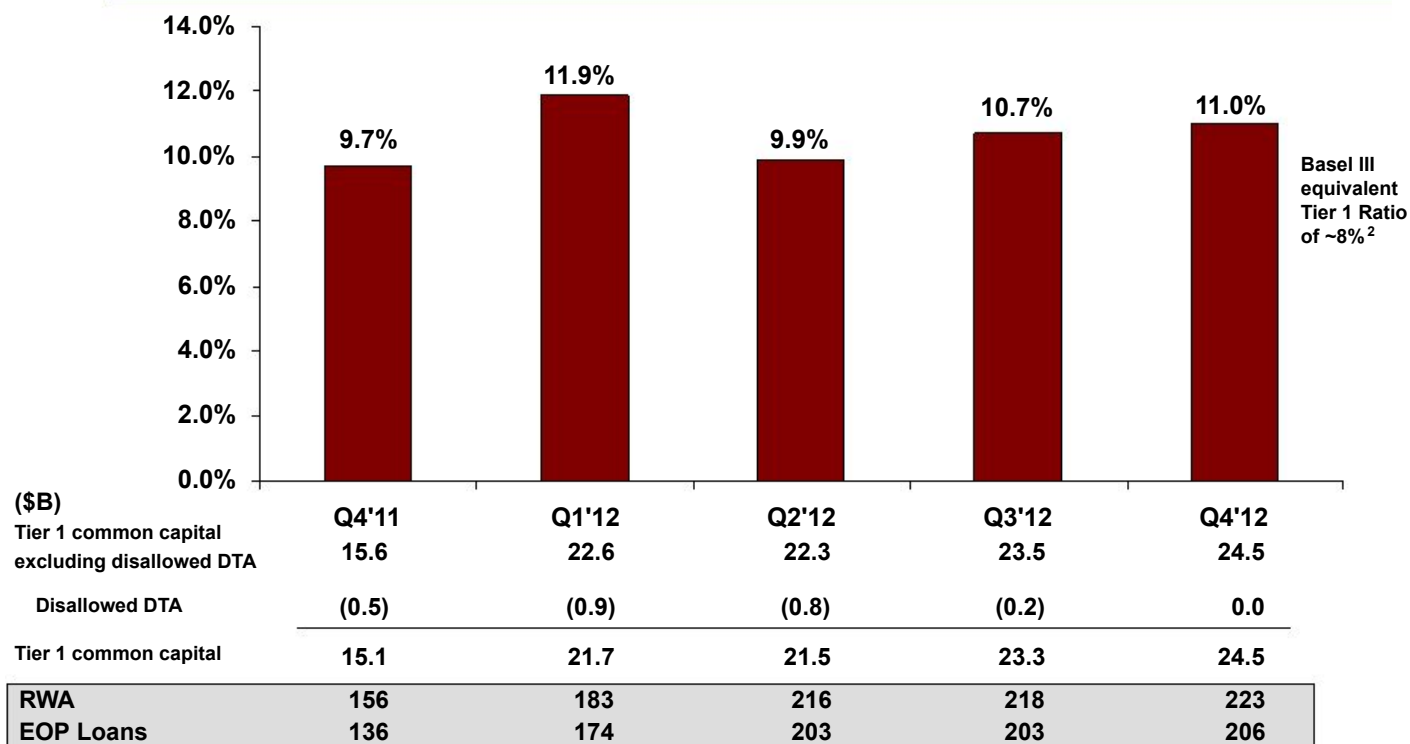
Expect stable earning asset yield
Expect lower cost of funds
TruPS called
Deposit management

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Our capacity to generate capital is strong

Tier 1 Common Ratio (Basel I)¹



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

² Estimated based on our current interpretation, expectations and understanding of the Basel III capital rules and other capital regulations proposed by U.S. regulators and the application of such rules to our businesses as currently conducted. Basel III calculations are necessarily subject to change based on, among other things, the scope and terms of the final rules and regulations, model calibration and other implementation guidance, changes in our businesses and certain actions of management, including those affecting the composition of our balance sheet. We believe this ratio provides useful information to investors and others by measuring our progress against expected future regulatory capital standards.

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Our businesses continue to deliver solid results

Domestic Card

Ending loans increased 3.1% in the quarter, in line with seasonal patterns; Excluding expected HSBC and IL run-off, card grew 4.1%

Ending loans were flat year over year excluding HSBC and run-off of Installment Loans

Purchase volumes grew 9.4%¹ year-over-year, excluding HSBC portfolio

Net revenue margin of 16.8%, in line with expected seasonal patterns and franchise enhancements

Charge-off rate of 4.4%

- Absence of merger-related impacts
- Expected seasonal patterns

Consumer Banking

Ending loan balances declined

- \$2.1B in expected run-off of Home Loans
- \$700MM growth in Auto loans

Seasonal decline in Auto originations

Revenue decreased by 6% quarter-over-quarter

- Absence of Q3 favorable valuation adjustment to retained mortgage interests

Charge-off rate of 0.9%, up 5bps quarter-over-quarter, driven by Auto seasonality

Commercial Banking

Strong growth continued with ending loans up 4% in the quarter and 13% year-over-year

Net revenue up 3% in the quarter and 11% for the full year of 2012

Non-interest expense up 16% in the quarter, driven by non-recurring items. Full year expenses were up 15%

Charge-off rate of 0.1% as credit discipline continues to drive low losses

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¹ Reported purchase volume growth of 36% year-over-year

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We are well positioned and focused on delivering sustained shareholder value, even in an environment of modest growth and low rates

Great Businesses with Attractive Returns

Relevant scale where it matters most

Leading market positions and market share

Resilient risk-adjusted returns

Focus on Execution

Two large integrations on track

Solid progress toward delivering a great customer experience

Tightly managing operating expense

Capital Generation & Allocation

At or near assumed Basel III destination

Expect significant capital generation to continue beyond targets

Capital allocation principles

- **Fund growth with attractive and resilient returns and pay consistent, meaningful dividend**
- **Repurchase shares**

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