100000004000000000.0250.0380.140.040.061.040.030.020.040.500.140.040.120.950.050.030.030.63P56MP3MP62MP2M26000000880000000.010.01false--12-31Q320190000927628 0.401.200.010.01100000000010000000006679690696720840024677173064657209860.960.04750.0420.03420.128600.03010.0080.03380.02590.022400.01660.030.110.170.070.750.030.030.000.000.000.030.050.050.030.650.020.150.230.070.850.020.010.000.000.000.020.040.060.030.680.030.030.030.020.010.02160000000019000000001600000000Libor + 380 bps0.05550.010.015000000050000000447500059750004475000597500086.34200251763206363016 0000927628 2019-01-01 2019-09-30 0000927628 2019-09-30 0000927628 us-gaap:SeriesBPreferredStockMember 2019-01-01 2019-09-30 0000927628 us-gaap:SeriesFPreferredStockMember 2019-01-01 2019-09-30 0000927628 us-gaap:SeriesCPreferredStockMember 2019-01-01 2019-09-30 0000927628 us-gaap:SeriesDPreferredStockMember 2019-01-01 2019-09-30 0000927628 cof:SeniorNotesDue2024Member 2019-01-01 2019-09-30 0000927628 us-gaap:SeriesHPreferredStockMember 2019-01-01 2019-09-30 0000927628 us-gaap:SeriesGPreferredStockMember 2019-01-01 2019-09-30 0000927628 cof:SeniorNotesDue2029Member 2019-01-01 2019-09-30 0000927628 us-gaap:CommonStockMember 2019-01-01 2019-09-30 0000927628 cof:SeriesIPreferredStockMember 2019-01-01 2019-09-30 0000927628 2018-07-01 2018-09-30 0000927628 2019-07-01 2019-09-30 0000927628 2018-01-01 2018-09-30 0000927628 2018-12-31 0000927628 us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2018-12-31 0000927628 srt:ParentCompanyMember 2019-09-30 0000927628 srt:ParentCompanyMember 2018-12-31 0000927628 us-gaap:VariableInterestEntityPrimaryBeneficiaryMember 2019-09-30 0000927628 us-gaap:AdditionalPaidInCapitalMember 2019-01-01 2019-03-31 0000927628 us-gaap:RetainedEarningsMember 2019-01-01 2019-03-31 0000927628 us-gaap:AdditionalPaidInCapitalMember 2019-07-01 2019-09-30 0000927628 us-gaap:TreasuryStockMember 2018-12-31 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-09-30 0000927628 us-gaap:PreferredStockMember 2019-09-30 0000927628 us-gaap:CommonStockMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommonStockMember 2019-04-01 2019-06-30 0000927628 us-gaap:AdditionalPaidInCapitalMember 2019-06-30 0000927628 us-gaap:TreasuryStockMember 2019-06-30 0000927628 us-gaap:AdditionalPaidInCapitalMember 2019-04-01 2019-06-30 0000927628 us-gaap:RetainedEarningsMember 2019-07-01 2019-09-30 0000927628 us-gaap:TreasuryStockMember 2019-01-01 2019-03-31 0000927628 us-gaap:CommonStockMember 2019-03-31 0000927628 us-gaap:TreasuryStockMember 2019-03-31 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-06-30 0000927628 us-gaap:RetainedEarningsMember 2019-04-01 2019-06-30 0000927628 2019-04-01 2019-06-30 0000927628 2019-01-01 2019-03-31 0000927628 us-gaap:PreferredStockMember 2018-12-31 0000927628 us-gaap:PreferredStockMember 2019-07-01 2019-09-30 0000927628 us-gaap:PreferredStockMember 2019-03-31 0000927628 us-gaap:CommonStockMember 2019-06-30 0000927628 us-gaap:RetainedEarningsMember 2019-09-30 0000927628 us-gaap:CommonStockMember 2019-01-01 2019-03-31 0000927628 us-gaap:CommonStockMember 2019-09-30 0000927628 us-gaap:AdditionalPaidInCapitalMember 2018-12-31 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-31 0000927628 2019-03-31 0000927628 us-gaap:AdditionalPaidInCapitalMember 2019-03-31 0000927628 us-gaap:PreferredStockMember 2019-06-30 0000927628 us-gaap:CommonStockMember 2018-12-31 0000927628 us-gaap:RetainedEarningsMember 2019-03-31 0000927628 us-gaap:TreasuryStockMember 2019-09-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-07-01 2019-09-30 0000927628 us-gaap:RetainedEarningsMember 2018-12-31 0000927628 us-gaap:TreasuryStockMember 2019-04-01 2019-06-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-04-01 2019-06-30 0000927628 us-gaap:AdditionalPaidInCapitalMember 2019-09-30 0000927628 us-gaap:RetainedEarningsMember 2019-06-30 0000927628 us-gaap:TreasuryStockMember 2019-07-01 2019-09-30 0000927628 2019-06-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-01-01 2019-03-31 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-03-31 0000927628 2017-12-31 0000927628 us-gaap:AdditionalPaidInCapitalMember 2018-06-30 0000927628 us-gaap:CommonStockMember 2018-04-01 2018-06-30 0000927628 us-gaap:AdditionalPaidInCapitalMember 2018-04-01 2018-06-30 0000927628 us-gaap:PreferredStockMember 2018-06-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-03-31 0000927628 2018-01-01 2018-03-31 0000927628 us-gaap:PreferredStockMember 2017-12-31 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-06-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-07-01 2018-09-30 0000927628 us-gaap:TreasuryStockMember 2018-04-01 2018-06-30 0000927628 us-gaap:CommonStockMember 2018-03-31 0000927628 us-gaap:TreasuryStockMember 2018-06-30 0000927628 us-gaap:RetainedEarningsMember 2018-07-01 2018-09-30 0000927628 2018-04-01 2018-06-30 0000927628 us-gaap:CommonStockMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommonStockMember 2017-12-31 0000927628 us-gaap:CommonStockMember 2018-01-01 2018-03-31 0000927628 us-gaap:RetainedEarningsMember 2018-01-01 2018-03-31 0000927628 us-gaap:CommonStockMember 2018-09-30 0000927628 2018-09-30 0000927628 us-gaap:AdditionalPaidInCapitalMember 2018-01-01 2018-03-31 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-31 0000927628 us-gaap:RetainedEarningsMember 2017-12-31 0000927628 us-gaap:RetainedEarningsMember 2018-09-30 0000927628 us-gaap:PreferredStockMember 2018-03-31 0000927628 us-gaap:AdditionalPaidInCapitalMember 2018-09-30 0000927628 us-gaap:TreasuryStockMember 2018-03-31 0000927628 us-gaap:RetainedEarningsMember 2018-03-31 0000927628 us-gaap:AdditionalPaidInCapitalMember 2018-07-01 2018-09-30 0000927628 us-gaap:TreasuryStockMember 2018-09-30 0000927628 us-gaap:TreasuryStockMember 2017-12-31 0000927628 us-gaap:AdditionalPaidInCapitalMember 2017-12-31 0000927628 us-gaap:PreferredStockMember 2018-09-30 0000927628 2018-06-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-09-30 0000927628 us-gaap:RetainedEarningsMember 2018-04-01 2018-06-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-03-31 0000927628 us-gaap:TreasuryStockMember 2018-01-01 2018-03-31 0000927628 us-gaap:AdditionalPaidInCapitalMember 2018-03-31 0000927628 us-gaap:CommonStockMember 2018-06-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-04-01 2018-06-30 0000927628 us-gaap:TreasuryStockMember 2018-07-01 2018-09-30 0000927628 us-gaap:RetainedEarningsMember 2018-06-30 0000927628 2018-03-31 0000927628 us-gaap:AccountingStandardsUpdate201602Member 2019-03-31 0000927628 us-gaap:AccountingStandardsUpdate201602Member 2019-07-01 2019-09-30 0000927628 us-gaap:AccountingStandardsUpdate201602Member 2019-01-01 2019-09-30 0000927628 cof:ResidentialMortgageBackedSecuritiesAgencyMember 2019-09-30 0000927628 cof:CommercialMortgageBackedSecuritiesAgencyMember 2019-09-30 0000927628 us-gaap:USTreasurySecuritiesMember 2019-09-30 0000927628 us-gaap:OtherDebtSecuritiesMember 2019-09-30 0000927628 us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-09-30 0000927628 cof:ResidentialMortgageBackedSecuritiesNonagencyMember 2019-09-30 0000927628 cof:ResidentialMortgageBackedSecuritiesAgencyMember 2018-12-31 0000927628 us-gaap:OtherDebtSecuritiesMember 2018-12-31 0000927628 us-gaap:USTreasurySecuritiesMember 2018-12-31 0000927628 us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-12-31 0000927628 cof:CommercialMortgageBackedSecuritiesAgencyMember 2018-12-31 0000927628 cof:ResidentialMortgageBackedSecuritiesNonagencyMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:USTreasuryAndGovernmentMember cof:InvestmentSecuritiesPortfolioMember 2019-09-30 2019-09-30 0000927628 us-gaap:CollateralPledgedMember 2019-09-30 0000927628 us-gaap:CollateralPledgedMember 2018-12-31 0000927628 cof:CommercialMortgageBackedSecuritiesAgencyMember 2019-01-01 2019-09-30 0000927628 us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:USTreasuryAndGovernmentMember cof:InvestmentSecuritiesPortfolioMember 2018-12-31 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2019-09-30 0000927628 us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember 2019-09-30 0000927628 us-gaap:FinancingReceivables30To59DaysPastDueMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember us-gaap:GeographicDistributionDomesticMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:FinancingReceivables60To89DaysPastDueMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:ConsumerPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2019-09-30 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember us-gaap:GeographicDistributionForeignMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember us-gaap:GeographicDistributionForeignMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember us-gaap:GeographicDistributionDomesticMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember us-gaap:GeographicDistributionDomesticMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember us-gaap:GeographicDistributionForeignMember 2019-09-30 0000927628 cof:FederalReserveDiscountWindowMember 2019-09-30 0000927628 cof:FederalReserveDiscountWindowMember 2018-12-31 0000927628 cof:FederalHomeLoanbanksMember 2018-12-31 0000927628 cof:FederalHomeLoanbanksMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember us-gaap:GeographicDistributionForeignMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember us-gaap:GeographicDistributionDomesticMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember us-gaap:GeographicDistributionForeignMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember us-gaap:GeographicDistributionDomesticMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember us-gaap:GeographicDistributionDomesticMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:FinancingReceivables60To89DaysPastDueMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:ConsumerPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivables30To59DaysPastDueMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:FinancingReceivablesEqualToGreaterThan90DaysPastDueMember us-gaap:GeographicDistributionForeignMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2018-01-01 2018-12-31 0000927628 stpr:NJ cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 stpr:MI cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:FL cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 country:CA cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 cof:OtherStatesMember cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:FL cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:NY cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:PA cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:NJ cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:OH cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2019-01-01 2019-09-30 0000927628 country:CA cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 stpr:IL cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:TX cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2019-01-01 2019-09-30 0000927628 stpr:PA cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:CA cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 stpr:NJ cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:TX cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:MI cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 cof:OtherStatesMember cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:PA cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 country:CA cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:CA cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 country:GB cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:MI cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2018-01-01 2018-12-31 0000927628 cof:OtherStatesMember cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:MI cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 stpr:PA cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:NY cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 country:GB cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:IL cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:OH cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:TX cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 cof:OtherStatesMember cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 stpr:OH cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:OH cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:NY cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:CA cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:IL cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:CA cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:FL cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 country:GB cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 country:GB cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:TX cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 country:CA cof:CreditCardPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 stpr:NY cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 stpr:NJ cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:FL cof:CreditCardPortfolioSegmentMember 2019-09-30 0000927628 stpr:IL cof:CreditCardPortfolioSegmentMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember 2018-07-01 2018-09-30 0000927628 us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 stpr:OH us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 stpr:OH us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 stpr:IL us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 stpr:NY us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 stpr:LA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 stpr:GA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 stpr:OH us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 stpr:LA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 stpr:MD us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 stpr:LA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 stpr:TX us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 stpr:CA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 stpr:FL us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 stpr:MD us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 stpr:FL us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 stpr:NY us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-12-31 0000927628 stpr:IL us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 stpr:OH us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-12-31 0000927628 stpr:LA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 stpr:CA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 stpr:NJ us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 stpr:NY us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 stpr:TX us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 stpr:PA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 stpr:NY us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 stpr:IL us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 stpr:VA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 stpr:NJ us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 stpr:TX us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 stpr:PA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 stpr:VA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 stpr:TX us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 stpr:GA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 stpr:LA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 stpr:LA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 stpr:VA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-12-31 0000927628 stpr:GA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 stpr:NJ us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 stpr:MD us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-12-31 0000927628 stpr:CA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 stpr:NJ us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 stpr:LA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 stpr:VA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 stpr:TX us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-09-30 0000927628 stpr:TX us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-12-31 0000927628 stpr:IL us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 stpr:FL us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 stpr:MD us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 stpr:GA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 stpr:TX us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 stpr:FL us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-12-31 0000927628 stpr:TX us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 stpr:PA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 stpr:LA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 stpr:PA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-12-31 0000927628 stpr:CA us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ResidentialMortgageMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ResidentialMortgageMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ResidentialMortgageMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ResidentialMortgageMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2019-07-01 2019-09-30 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:PassMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:CriticizedMember 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:CriticizedMember 2018-01-01 2018-12-31 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:PassMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:CriticizedMember 2018-12-31 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:CriticizedMember 2018-01-01 2018-12-31 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:PassMember 2018-01-01 2018-12-31 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:PassMember 2018-01-01 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-01-01 2018-12-31 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-01-01 2018-12-31 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-01-01 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-01-01 2018-12-31 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-01-01 2018-12-31 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:PassMember 2018-12-31 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember us-gaap:PassMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember us-gaap:CriticizedMember 2018-01-01 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:CriticizedMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:CriticizedMember 2018-12-31 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:CriticizedMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:CriticizedMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember us-gaap:PassMember 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:CriticizedMember 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember us-gaap:CriticizedMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:PassMember 2018-12-31 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-01-01 2018-12-31 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-12-31 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:CriticizedMember 2018-01-01 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-01-01 2018-12-31 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember us-gaap:CriticizedMember 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-01-01 2018-12-31 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-12-31 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-12-31 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember us-gaap:CriticizedMember 2018-12-31 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-01-01 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:CriticizedMember 2018-12-31 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:CriticizedMember 2018-01-01 2018-12-31 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-01-01 2019-09-30 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-01-01 2019-09-30 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-01-01 2019-09-30 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember us-gaap:CriticizedMember 2019-09-30 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:PassMember 2019-01-01 2019-09-30 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-01-01 2019-09-30 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-01-01 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember us-gaap:PassMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:CriticizedMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember us-gaap:PassMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:CriticizedMember 2019-09-30 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:CriticizedMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:CriticizedMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:PassMember 2019-09-30 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember us-gaap:CriticizedMember 2019-01-01 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember us-gaap:CriticizedMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:CriticizedMember 2019-01-01 2019-09-30 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:CriticizedMember 2019-09-30 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-01-01 2019-09-30 0000927628 cof:SouthMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-01-01 2019-09-30 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-01-01 2019-09-30 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:CriticizedMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:PassMember 2019-01-01 2019-09-30 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:PassMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 cof:InternalRiskRatingConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-09-30 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-01-01 2019-09-30 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:CriticizedMember 2019-01-01 2019-09-30 0000927628 us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:NonperformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember us-gaap:CriticizedMember 2019-09-30 0000927628 cof:MidAtlanticMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-01-01 2019-09-30 0000927628 us-gaap:LoansReceivableMember cof:InternalRiskRatingConcentrationRiskMember us-gaap:FinancialAssetAcquiredWithCreditDeteriorationMember us-gaap:CommercialPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 cof:NortheastMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember 2019-01-01 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-01-01 2019-09-30 0000927628 cof:OtherStatesMember us-gaap:LoansReceivableMember us-gaap:GeographicConcentrationRiskMember us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:PrincipalForgivenessMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:ContractualInterestRateReductionMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:ExtendedMaturityMember 2019-01-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:ExtendedMaturityMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:SmallTicketRealEstateMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ResidentialMortgageMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ResidentialMortgageMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndMultifamilyRealEstateMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ResidentialMortgageMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:PrincipalForgivenessMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialLendingMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:ContractualInterestRateReductionMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:ExtendedMaturityMember 2018-01-01 2018-09-30 0000927628 us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:PerformingFinancingReceivableMember 2019-09-30 0000927628 us-gaap:PerformingFinancingReceivableMember us-gaap:ConsumerPortfolioSegmentMember 2019-09-30 0000927628 us-gaap:PerformingFinancingReceivableMember us-gaap:ConsumerPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:PerformingFinancingReceivableMember us-gaap:CommercialPortfolioSegmentMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CommercialAndIndustrialMember us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionDomesticMember us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:RetailBankingMember us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:GeographicDistributionForeignMember us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 us-gaap:ContractualInterestRateReductionMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:AutomobileLoanMember us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 us-gaap:PrincipalForgivenessMember 2019-07-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:ExtendedMaturityMember 2019-07-01 2019-09-30 0000927628 us-gaap:PerformingFinancingReceivableMember 2018-12-31 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember cof:CombinedAllowanceAndUnfundedReserveMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:CombinedAllowanceAndUnfundedReserveMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2019-06-30 0000927628 cof:CreditCardPortfolioSegmentMember 2019-06-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-09-30 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2019-09-30 0000927628 cof:CombinedAllowanceAndUnfundedReserveMember 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-07-01 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-06-30 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2019-06-30 0000927628 us-gaap:CommercialPortfolioSegmentMember 2019-06-30 0000927628 us-gaap:UnfundedLoanCommitmentMember 2019-09-30 0000927628 us-gaap:UnfundedLoanCommitmentMember 2019-06-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CombinedAllowanceAndUnfundedReserveMember 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-06-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-06-30 0000927628 us-gaap:UnfundedLoanCommitmentMember 2019-07-01 2019-09-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember 2017-12-31 0000927628 cof:CombinedAllowanceAndUnfundedReserveMember 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember cof:CombinedAllowanceAndUnfundedReserveMember 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-09-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember 2018-01-01 2018-09-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember cof:CombinedAllowanceAndUnfundedReserveMember 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2017-12-31 0000927628 cof:CreditCardPortfolioSegmentMember 2018-09-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-09-30 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2018-01-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember 2017-12-31 0000927628 us-gaap:UnallocatedFinancingReceivablesMember us-gaap:UnfundedLoanCommitmentMember 2018-01-01 2018-09-30 0000927628 us-gaap:UnfundedLoanCommitmentMember 2018-01-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2017-12-31 0000927628 cof:CreditCardPortfolioSegmentMember cof:CombinedAllowanceAndUnfundedReserveMember 2018-09-30 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2017-12-31 0000927628 us-gaap:UnfundedLoanCommitmentMember 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2017-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember 2017-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember cof:CombinedAllowanceAndUnfundedReserveMember 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2017-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-01-01 2018-09-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember us-gaap:UnfundedLoanCommitmentMember 2017-12-31 0000927628 us-gaap:UnfundedLoanCommitmentMember 2017-12-31 0000927628 us-gaap:UnallocatedFinancingReceivablesMember us-gaap:UnfundedLoanCommitmentMember 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-01-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2018-09-30 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2018-09-30 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2018-07-01 2018-09-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember us-gaap:UnfundedLoanCommitmentMember 2018-07-01 2018-09-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-07-01 2018-09-30 0000927628 us-gaap:UnfundedLoanCommitmentMember 2018-07-01 2018-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-06-30 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2018-06-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-07-01 2018-09-30 0000927628 cof:CreditCardPortfolioSegmentMember 2018-06-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-06-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember us-gaap:UnfundedLoanCommitmentMember 2018-06-30 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-06-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember 2018-06-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-07-01 2018-09-30 0000927628 us-gaap:UnfundedLoanCommitmentMember 2018-06-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember 2018-06-30 0000927628 us-gaap:CommercialPortfolioSegmentMember 2018-06-30 0000927628 us-gaap:UnallocatedFinancingReceivablesMember us-gaap:ResidentialMortgageMember 2018-04-01 2018-06-30 0000927628 cof:LossSharingAgreementMember 2018-07-01 2018-09-30 0000927628 cof:LossSharingAgreementMember 2019-07-01 2019-09-30 0000927628 cof:LossSharingAgreementMember 2019-09-30 0000927628 cof:LossSharingAgreementMember 2019-06-30 0000927628 cof:LossSharingAgreementMember 2018-09-30 0000927628 cof:LossSharingAgreementMember 2018-06-30 0000927628 cof:LossSharingAgreementMember 2018-01-01 2018-09-30 0000927628 cof:LossSharingAgreementMember 2019-01-01 2019-09-30 0000927628 cof:LossSharingAgreementMember 2017-12-31 0000927628 cof:LossSharingAgreementMember 2018-12-31 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2019-01-01 2019-09-30 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:UnfundedLoanCommitmentMember 2018-12-31 0000927628 us-gaap:AllowanceForLoanAndLeaseLossesMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-12-31 0000927628 us-gaap:ConsumerPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-12-31 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:UnfundedLoanCommitmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommercialPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2018-12-31 0000927628 cof:CreditCardPortfolioSegmentMember us-gaap:UnfundedLoanCommitmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:CreditCardReceivablesMember 2018-12-31 0000927628 cof:AffordableHousingEntitiesMember 2018-12-31 0000927628 cof:InvestmentCompaniesProvidingCapitaltoLowIncomeandRuralCommunitiesMember 2018-12-31 0000927628 us-gaap:OtherInvestmentsMember 2018-12-31 0000927628 cof:SecuritizationRelatedVariableInterestEntitiesMember 2018-12-31 0000927628 cof:NonsecuritizationRelatedVariableInterestEntitiesMember 2018-12-31 0000927628 us-gaap:ResidentialMortgageMember 2018-12-31 0000927628 cof:InvestmentCompaniesProvidingCapitaltoLowIncomeandRuralCommunitiesMember 2019-09-30 0000927628 cof:AffordableHousingEntitiesMember 2019-09-30 0000927628 us-gaap:OtherInvestmentsMember 2019-09-30 0000927628 us-gaap:CollateralizedAutoLoansMember 2019-09-30 0000927628 us-gaap:CreditCardReceivablesMember 2019-09-30 0000927628 cof:SecuritizationRelatedVariableInterestEntitiesMember 2019-09-30 0000927628 us-gaap:ResidentialMortgageMember 2019-09-30 0000927628 cof:NonsecuritizationRelatedVariableInterestEntitiesMember 2019-09-30 0000927628 us-gaap:CustomerRelationshipsMember 2019-09-30 0000927628 us-gaap:CoreDepositsMember 2018-12-31 0000927628 us-gaap:OtherIntangibleAssetsMember 2018-12-31 0000927628 us-gaap:OtherIntangibleAssetsMember 2019-09-30 0000927628 us-gaap:CustomerRelationshipsMember 2018-12-31 0000927628 us-gaap:CreditCardMember 2019-09-30 0000927628 us-gaap:CreditCardMember 2019-01-01 2019-09-30 0000927628 cof:CommercialBankingMember 2019-09-30 0000927628 cof:CommercialBankingMember 2019-01-01 2019-09-30 0000927628 cof:ConsumerBankingMember 2019-01-01 2019-09-30 0000927628 cof:CommercialBankingMember 2018-12-31 0000927628 cof:ConsumerBankingMember 2019-09-30 0000927628 cof:ConsumerBankingMember 2018-12-31 0000927628 us-gaap:CreditCardMember 2018-12-31 0000927628 cof:UnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2019-09-30 0000927628 us-gaap:FederalHomeLoanBankAdvancesMember 2019-09-30 0000927628 us-gaap:SecuredDebtMember 2019-09-30 0000927628 cof:CapitalLeaseObligationandGPMHMember 2018-12-31 0000927628 cof:FloatingUnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2018-12-31 0000927628 cof:FloatingUnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2019-09-30 0000927628 cof:CapitalLeaseObligationandGPMHMember 2019-09-30 0000927628 us-gaap:FederalHomeLoanBankAdvancesMember 2018-12-31 0000927628 cof:FixedUnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2018-12-31 0000927628 cof:FixedUnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2019-09-30 0000927628 cof:SeniorAndSubordinatedNotesMember 2019-09-30 0000927628 cof:FixedUnsecuredSubordinatedDebtMember us-gaap:SubordinatedDebtMember 2019-09-30 0000927628 cof:UnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2018-12-31 0000927628 us-gaap:SecuredDebtMember 2018-12-31 0000927628 cof:FHLBAdvanceCapitalLeaseObligationandGPMHMember 2019-09-30 0000927628 cof:FHLBAdvanceCapitalLeaseObligationandGPMHMember 2018-12-31 0000927628 cof:SeniorAndSubordinatedNotesMember 2018-12-31 0000927628 cof:FixedUnsecuredSubordinatedDebtMember us-gaap:SubordinatedDebtMember 2018-12-31 0000927628 currency:EUR 2019-09-30 0000927628 us-gaap:FederalFundsPurchasedAndSecuritiesSoldUnderAgreementsToRepurchaseMember 2018-12-31 0000927628 us-gaap:FederalHomeLoanBankAdvancesMember 2019-09-30 0000927628 us-gaap:FederalHomeLoanBankAdvancesMember 2018-12-31 0000927628 us-gaap:FederalFundsPurchasedAndSecuritiesSoldUnderAgreementsToRepurchaseMember 2019-09-30 0000927628 srt:MinimumMember cof:FixedUnsecuredSubordinatedDebtMember us-gaap:SubordinatedDebtMember 2019-09-30 0000927628 srt:MaximumMember cof:FixedUnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FederalHomeLoanBankAdvancesMember 2019-09-30 0000927628 srt:MinimumMember cof:FixedUnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:SecuredDebtMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:SecuredDebtMember 2019-09-30 0000927628 srt:MinimumMember cof:CapitalLeaseObligationandGPMHMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FederalHomeLoanBankAdvancesMember 2019-09-30 0000927628 srt:MinimumMember cof:FloatingUnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2019-09-30 0000927628 srt:MaximumMember cof:FloatingUnsecuredSeniorDebtMember us-gaap:SeniorNotesMember 2019-09-30 0000927628 srt:MaximumMember cof:CapitalLeaseObligationandGPMHMember 2019-09-30 0000927628 srt:MaximumMember cof:FixedUnsecuredSubordinatedDebtMember us-gaap:SubordinatedDebtMember 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember cof:CustomerAccommodationMember 2018-12-31 0000927628 us-gaap:NondesignatedMember cof:CustomerAccommodationMember 2018-12-31 0000927628 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember cof:OtherInterestRateExposuresMember 2019-09-30 0000927628 us-gaap:CommodityContractMember us-gaap:NondesignatedMember cof:CustomerAccommodationMember 2018-12-31 0000927628 us-gaap:NondesignatedMember 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember cof:CustomerAccommodationMember 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:NetInvestmentHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:FairValueHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember cof:OtherInterestRateExposuresMember 2018-12-31 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember cof:CustomerAccommodationMember 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000927628 us-gaap:OtherContractMember us-gaap:NondesignatedMember 2018-12-31 0000927628 us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:NetInvestmentHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000927628 us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember 2019-09-30 0000927628 us-gaap:CommodityContractMember us-gaap:NondesignatedMember cof:CustomerAccommodationMember 2019-09-30 0000927628 us-gaap:NondesignatedMember 2018-12-31 0000927628 us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000927628 us-gaap:NondesignatedMember cof:CustomerAccommodationMember 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000927628 us-gaap:DesignatedAsHedgingInstrumentMember 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000927628 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember cof:CustomerAccommodationMember 2018-12-31 0000927628 us-gaap:OtherContractMember us-gaap:NondesignatedMember 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:FairValueHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2018-12-31 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:DesignatedAsHedgingInstrumentMember 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember us-gaap:DesignatedAsHedgingInstrumentMember 2019-09-30 0000927628 cof:NonInterestIncomeOtherMember 2018-01-01 2018-09-30 0000927628 cof:NonInterestIncomeOtherMember 2019-01-01 2019-09-30 0000927628 cof:NonInterestIncomeOtherMember 2019-07-01 2019-09-30 0000927628 cof:NonInterestIncomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember cof:OtherInterestRateExposuresMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommodityContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2018-01-01 2018-09-30 0000927628 us-gaap:OtherContractMember cof:OtherNonInterestIncomeMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember 2019-07-01 2019-09-30 0000927628 us-gaap:OtherContractMember cof:OtherNonInterestIncomeMember 2019-07-01 2019-09-30 0000927628 cof:OtherNonInterestIncomeMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2019-07-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember cof:OtherInterestRateExposuresMember 2019-07-01 2019-09-30 0000927628 cof:OtherNonInterestIncomeMember 2019-07-01 2019-09-30 0000927628 us-gaap:CommodityContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember cof:OtherInterestRateExposuresMember 2019-01-01 2019-09-30 0000927628 us-gaap:CommodityContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2018-01-01 2018-09-30 0000927628 cof:OtherNonInterestIncomeMember 2018-01-01 2018-09-30 0000927628 us-gaap:OtherContractMember cof:OtherNonInterestIncomeMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember cof:OtherNonInterestIncomeMember cof:OtherInterestRateExposuresMember 2018-01-01 2018-09-30 0000927628 cof:OtherNonInterestIncomeMember 2018-07-01 2018-09-30 0000927628 us-gaap:CommodityContractMember cof:OtherNonInterestIncomeMember cof:CustomerAccommodationMember 2018-01-01 2018-09-30 0000927628 us-gaap:OtherContractMember cof:OtherNonInterestIncomeMember 2018-01-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-01-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2018-01-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseDepositsMember 2018-01-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeLoansMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseDepositsMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeLoansMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2018-01-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:NonInterestIncomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2018-01-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-01-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:NonInterestIncomeOtherMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:NonInterestIncomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:NonInterestIncomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseDepositsMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeLoansMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseDepositsMember 2019-01-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-01-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-01-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeLoansMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseDepositsMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-07-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-07-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeLoansMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2019-07-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:NonInterestIncomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeLoansMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2019-07-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2019-07-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-07-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2019-07-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-07-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2019-07-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:NonInterestIncomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseDepositsMember 2019-07-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2019-07-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2019-07-01 2019-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember 2018-12-31 0000927628 us-gaap:InterestBearingDepositsMember 2018-12-31 0000927628 cof:SeniorAndSubordinatedNotesMember 2019-09-30 0000927628 us-gaap:InterestBearingDepositsMember 2019-09-30 0000927628 cof:SecuritizedDebtObligationsMember 2019-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember 2019-09-30 0000927628 cof:SecuritizedDebtObligationsMember 2018-12-31 0000927628 cof:SeniorAndSubordinatedNotesMember 2018-12-31 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:NonInterestIncomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseDepositsMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestincomeLoansMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseDepositsMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:NonInterestIncomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:FairValueHedgingMember cof:InterestexpenseSeniorandSubordinatedDebtMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestincomeLoansMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestincomeLoansMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2018-07-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeInvestmentsecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-07-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestincomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:CashFlowHedgingMember cof:InterestexpenseDepositsMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:NonInterestIncomeOtherMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueHedgingMember cof:InterestexpenseSecuritizedDebtObligationMember 2018-07-01 2018-09-30 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2019-09-30 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2019-07-01 2019-09-30 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-07-01 2019-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-07-01 2019-09-30 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2019-09-30 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2019-07-01 2019-09-30 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-06-30 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2019-06-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-06-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-07-01 2019-09-30 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2019-06-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-06-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-09-30 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-09-30 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-12-31 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-09-30 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2018-01-01 2018-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-09-30 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2018-01-01 2018-09-30 0000927628 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2017-12-31 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2017-12-31 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2018-09-30 0000927628 us-gaap:AccountingStandardsUpdate201712Member us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-03-31 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2017-12-31 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-03-31 0000927628 us-gaap:AccountingStandardsUpdate201712Member us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-03-31 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2017-12-31 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2018-09-30 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-01-01 2019-09-30 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2019-01-01 2019-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-01-01 2019-09-30 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2018-12-31 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-12-31 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2019-01-01 2019-09-30 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2018-12-31 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-01-01 2019-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-12-31 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-12-31 0000927628 us-gaap:SeriesBPreferredStockMember 2018-12-31 0000927628 us-gaap:SeriesDPreferredStockMember 2018-12-31 0000927628 cof:SeriesIPreferredStockMember 2019-09-30 0000927628 us-gaap:SeriesCPreferredStockMember 2018-12-31 0000927628 us-gaap:SeriesDPreferredStockMember 2019-09-30 0000927628 us-gaap:SeriesBPreferredStockMember 2019-09-30 0000927628 us-gaap:SeriesGPreferredStockMember 2018-12-31 0000927628 us-gaap:SeriesCPreferredStockMember 2019-09-30 0000927628 us-gaap:SeriesHPreferredStockMember 2019-09-30 0000927628 us-gaap:SeriesEPreferredStockMember 2019-09-30 0000927628 us-gaap:SeriesFPreferredStockMember 2019-09-30 0000927628 cof:SeriesIPreferredStockMember 2018-12-31 0000927628 us-gaap:SeriesGPreferredStockMember 2019-09-30 0000927628 us-gaap:SeriesFPreferredStockMember 2018-12-31 0000927628 us-gaap:SeriesEPreferredStockMember 2018-12-31 0000927628 us-gaap:SeriesHPreferredStockMember 2018-12-31 0000927628 us-gaap:InterestRateContractMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-01-01 2019-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-07-01 2018-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-07-01 2019-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2019-07-01 2019-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-01-01 2019-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-07-01 2018-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2018-01-01 2018-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-07-01 2018-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-01-01 2019-09-30 0000927628 us-gaap:ForeignExchangeContractMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-07-01 2019-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-01-01 2018-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-07-01 2019-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2018-01-01 2018-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2019-01-01 2019-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2019-01-01 2019-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-01-01 2018-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2019-07-01 2019-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-01-01 2019-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-07-01 2018-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2018-07-01 2018-09-30 0000927628 us-gaap:InterestRateContractMember us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2019-07-01 2019-09-30 0000927628 us-gaap:ReclassificationOutOfAccumulatedOtherComprehensiveIncomeMember 2019-07-01 2019-09-30 0000927628 us-gaap:AccountingStandardsUpdate201712Member us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-03-31 0000927628 us-gaap:AccountingStandardsUpdate201712Member 2018-03-31 0000927628 us-gaap:NetInvestmentHedgingMember 2018-07-01 2018-09-30 0000927628 us-gaap:NetInvestmentHedgingMember 2019-07-01 2019-09-30 0000927628 us-gaap:NetInvestmentHedgingMember 2019-01-01 2019-09-30 0000927628 us-gaap:NetInvestmentHedgingMember 2018-01-01 2018-09-30 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2018-07-01 2018-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-07-01 2018-09-30 0000927628 us-gaap:HeldtomaturitySecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-06-30 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2018-07-01 2018-09-30 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-07-01 2018-09-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-07-01 2018-09-30 0000927628 us-gaap:AccumulatedTranslationAdjustmentMember 2018-06-30 0000927628 us-gaap:AvailableforsaleSecuritiesMember us-gaap:AccumulatedNetUnrealizedInvestmentGainLossMember 2018-06-30 0000927628 us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2018-06-30 0000927628 cof:AccumulatedOtherComprehensiveIncomeLossOtherComponentMember 2018-06-30 0000927628 us-gaap:SeriesEPreferredStockMember 2019-01-01 2019-09-30 0000927628 us-gaap:EmployeeStockOptionMember 2018-01-01 2018-09-30 0000927628 us-gaap:EmployeeStockOptionMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ServicingContractsMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ServicingContractsMember 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2017-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:NetDerivativeAssetsLiabilitiesMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2017-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2017-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2017-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2017-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ServicingContractsMember 2017-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2019-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2019-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2019-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2019-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:NetDerivativeAssetsLiabilitiesMember 2019-07-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:NetDerivativeAssetsLiabilitiesMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueMeasurementsNonrecurringMember 2019-01-01 2019-09-30 0000927628 us-gaap:FairValueMeasurementsNonrecurringMember 2018-01-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsNonrecurringMember 2019-09-30 0000927628 us-gaap:FairValueMeasurementsNonrecurringMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember 2019-09-30 0000927628 us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member cof:NonRecoverableRateMember cof:AppraisalValueMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member cof:NonRecoverableRateMember cof:AppraisalValueMember 2019-09-30 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member cof:NonRecoverableRateMember cof:AppraisalValueMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member cof:NonRecoverableRateMember cof:AppraisalValueMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member cof:NonRecoverableRateMember cof:AppraisalValueMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member cof:NonRecoverableRateMember cof:AppraisalValueMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:NetDerivativeAssetsLiabilitiesMember 2018-07-01 2018-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:RetainedInterestMember 2018-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:AvailableforsaleSecuritiesMember 2018-06-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-06-30 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2019-09-30 0000927628 us-gaap:FairValueMeasurementsRecurringMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2019-09-30 0000927628 us-gaap:EstimateOfFairValueFairValueDisclosureMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member 2019-09-30 0000927628 us-gaap:FairValueInputsLevel2Member 2019-09-30 0000927628 us-gaap:FairValueInputsLevel1Member 2019-09-30 0000927628 us-gaap:CarryingReportedAmountFairValueDisclosureMember 2019-09-30 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember 2018-12-31 0000927628 us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueMeasurementsRecurringMember us-gaap:OtherDebtSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueMeasurementsRecurringMember us-gaap:USTreasurySecuritiesMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel2Member us-gaap:FairValueMeasurementsNonrecurringMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel2Member 2018-12-31 0000927628 us-gaap:EstimateOfFairValueFairValueDisclosureMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel3Member 2018-12-31 0000927628 us-gaap:CarryingReportedAmountFairValueDisclosureMember 2018-12-31 0000927628 us-gaap:FairValueInputsLevel1Member 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputSwapRatesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputLifeofReceivablesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 2019-09-30 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDiscountRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputLifeofReceivablesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 2019-09-30 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDiscountRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputSwapRatesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputSwapRatesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2019-09-30 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDiscountRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputSwapRatesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputLifeofReceivablesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:CommercialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputSwapRatesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputLifeofReceivablesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDiscountRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember cof:MeasurementInputYieldMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputDefaultRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputConstantPrepaymentRateMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsRecurringMember cof:MeasurementInputSwapRatesMember us-gaap:ValuationTechniqueDiscountedCashFlowMember 2018-12-31 0000927628 us-gaap:OperatingSegmentsMember us-gaap:CreditCardMember 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:CommercialBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:CommercialBankingMember 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember us-gaap:CreditCardMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ConsumerBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ConsumerBankingMember 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ConsumerBankingMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember us-gaap:CreditCardMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:CommercialBankingMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ConsumerBankingMember 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember us-gaap:CreditCardMember 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:CommercialBankingMember 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember us-gaap:CreditCardMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember cof:ConsumerBankingMember 2019-01-01 2019-09-30 0000927628 cof:OtherContractRevenueMember 2019-01-01 2019-09-30 0000927628 cof:ServiceChargesAndOtherCustomerFeesContractsMember 2019-01-01 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember 2019-01-01 2019-09-30 0000927628 cof:InterchangeFeesContractsMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember cof:ConsumerBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember cof:CommercialBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember us-gaap:CreditCardMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:CommercialBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ConsumerBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember cof:CommercialBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:ServiceChargesAndOtherCustomerFeesContractsMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember cof:CommercialBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:InterchangeFeesContractsMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember us-gaap:CreditCardMember 2019-01-01 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:OtherContractRevenueMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember us-gaap:CreditCardMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember cof:ConsumerBankingMember 2019-01-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ConsumerBankingMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:CommercialBankingMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember us-gaap:CreditCardMember 2018-07-01 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember 2018-07-01 2018-09-30 0000927628 cof:OtherContractRevenueMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember us-gaap:CreditCardMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember cof:CommercialBankingMember 2018-01-01 2018-09-30 0000927628 cof:ServiceChargesAndOtherCustomerFeesContractsMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember cof:ConsumerBankingMember 2018-01-01 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:OtherContractRevenueMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember us-gaap:CreditCardMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember cof:CommercialBankingMember 2018-01-01 2018-09-30 0000927628 cof:InterchangeFeesContractsMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember us-gaap:CreditCardMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember cof:ConsumerBankingMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember cof:CommercialBankingMember 2018-01-01 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:InterchangeFeesContractsMember 2018-01-01 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:ServiceChargesAndOtherCustomerFeesContractsMember 2018-01-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember cof:ConsumerBankingMember 2018-01-01 2018-09-30 0000927628 cof:OtherContractRevenueMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember us-gaap:CreditCardMember 2019-07-01 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:ServiceChargesAndOtherCustomerFeesContractsMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember us-gaap:CreditCardMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember us-gaap:CreditCardMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember cof:CommercialBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:InterchangeFeesContractsMember 2019-07-01 2019-09-30 0000927628 cof:InterchangeFeesContractsMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember cof:ConsumerBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember cof:ConsumerBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember cof:ConsumerBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:OtherContractRevenueMember 2019-07-01 2019-09-30 0000927628 cof:ServiceChargesAndOtherCustomerFeesContractsMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember cof:CommercialBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember cof:CommercialBankingMember 2019-07-01 2019-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember us-gaap:CreditCardMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember us-gaap:CreditCardMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember cof:CommercialBankingMember 2018-07-01 2018-09-30 0000927628 cof:OtherContractRevenueMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember cof:ConsumerBankingMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember cof:ConsumerBankingMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:ServiceChargesAndOtherCustomerFeesContractsMember cof:ConsumerBankingMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember us-gaap:CreditCardMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:OtherContractRevenueMember cof:CommercialBankingMember 2018-07-01 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:InterchangeFeesContractsMember 2018-07-01 2018-09-30 0000927628 cof:InterchangeFeesContractsMember 2018-07-01 2018-09-30 0000927628 us-gaap:OperatingSegmentsMember cof:InterchangeFeesContractsMember cof:CommercialBankingMember 2018-07-01 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:ServiceChargesAndOtherCustomerFeesContractsMember 2018-07-01 2018-09-30 0000927628 us-gaap:CorporateNonSegmentMember cof:OtherContractRevenueMember 2018-07-01 2018-09-30 0000927628 cof:ServiceChargesAndOtherCustomerFeesContractsMember 2018-07-01 2018-09-30 0000927628 cof:OtherPortfolioSegmentsExcludingCreditCardMember 2018-12-31 0000927628 us-gaap:LetterOfCreditMember 2019-09-30 0000927628 us-gaap:LetterOfCreditMember 2018-12-31 0000927628 cof:OtherPortfolioSegmentsExcludingCreditCardMember 2019-09-30 0000927628 us-gaap:InsuranceClaimsMember 2019-09-30 0000927628 cof:AntiMoneyLaunderingMember 2018-10-01 2018-10-31 0000927628 cof:LossSharingAgreementMember 2018-12-31 0000927628 cof:CybersecurityIncidentMember 2019-07-01 2019-09-30 0000927628 cof:LossSharingAgreementMember 2019-09-30 0000927628 country:US 2019-09-30 0000927628 us-gaap:InsuranceClaimsMember 2018-12-31 0000927628 cof:InterchangeLitigationMember us-gaap:PendingLitigationMember 2018-08-01 2018-08-31 0000927628 country:CA 2019-09-30 0000927628 us-gaap:InsuranceClaimsMember 2019-07-01 2019-09-30 0000927628 cof:CybersecurityIncidentMember 2019-09-30 iso4217:USD xbrli:shares cof:Segment iso4217:USD xbrli:shares xbrli:pure cof:Contract cof:claim

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
|  | | | | |

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**FORM 10-Q**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  | |
|  |  |
| ☒ | **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** |

**For the quarterly period ended September 30, 2019**

**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. 001-13300**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**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**

**(Not applicable)**

**(Former name, former address and former fiscal year, if changed since last report)**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Securities registered pursuant to Section 12(b) of the Act:**

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| **Title of Each Class** | **Trading Symbol(s)** | **Name of Each Exchange on Which Registered** |
| Common Stock (par value $.01 per share) | COF | New York Stock Exchange |
| Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series B | COF PRP | New York Stock Exchange |
| Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series C | COF PRC | New York Stock Exchange |
| Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series D | COF PRD | New York Stock Exchange |
| Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series F | COF PRF | New York Stock Exchange |
| Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series G | COF PRG | New York Stock Exchange |
| Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series H | COF PRH | New York Stock Exchange |
| Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series I | COF PRI | New York Stock Exchange |
| 0.800% Senior Notes Due 2024 | COF24 | New York Stock Exchange |
| 1.650% Senior Notes Due 2029 | COF29 | New York Stock Exchange |

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 ☒  No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | |
|  |  |  |  |  |  |  |
| Large accelerated filer |  | ☒ |  | Accelerated filer |  | ☐ |
| Non-accelerated filer |  | ☐ |  | Smaller reporting company |  | ☐ |
|  |  |  |  | Emerging growth company |  | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of September 30, 2019, there were 465,720,986 shares of the registrant’s Common Stock outstanding.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
|  | | | | |

**TABLE OF CONTENTS**

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  |  | **Page** |
| [**PART I—FINANCIAL INFORMATION**](#s681D14CFBD7F55849DDEF904F23A95E4) | | [**4**](#s681D14CFBD7F55849DDEF904F23A95E4) |
| [Item 1.](#sA4B339E3F93A5FA4ABA53D4634DE813C) | [Financial Statements and](#sA4B339E3F93A5FA4ABA53D4634DE813C) Notes | [66](#sA4B339E3F93A5FA4ABA53D4634DE813C) |
|  | [Consolidated Statements of Income](#sB2482CCF10E85CBD897A6CC630059318) | [67](#sB2482CCF10E85CBD897A6CC630059318) |
|  | [Consolidated Statements of Comprehensive Income](#s7F581B43EC2D5409AE4CF95014AFACD8) | [68](#s7F581B43EC2D5409AE4CF95014AFACD8) |
|  | [Consolidated Balance Sheets](#s10F714F81DAB52D595C8416A76C32873) | [69](#s10F714F81DAB52D595C8416A76C32873) |
|  | [Consolidated Statements of Changes in Stockholders’ Equity](#s6779EE62C689570FA81B46B5218755BC) | [70](#s6779EE62C689570FA81B46B5218755BC) |
|  | [Consolidated Statements of Cash Flows](#s12CEBC7049D45A5FB6280DB47E5D084B) | [71](#s12CEBC7049D45A5FB6280DB47E5D084B) |
|  | [Notes to Consolidated Financial Statements](#s322E63E32629589A84CA22CBB99C9A47) | [72](#s1C48E13E46F5575B9CF1D65F83D669FD) |
|  | [Note 1—Summary of Significant Accounting Policies](#s1C48E13E46F5575B9CF1D65F83D669FD) | [72](#s1C48E13E46F5575B9CF1D65F83D669FD) |
|  | [Note 2—Leases](#sF7741E14E80B56B0AAE963C51788F26A) | [74](#sF7741E14E80B56B0AAE963C51788F26A) |
|  | [Note 3—Investment Securities](#s6CF169B93F595E3BB10FA7BEF8CC4AA3) | [76](#s6CF169B93F595E3BB10FA7BEF8CC4AA3) |
|  | [Note 4—Loans](#sDFB9701EC93B55C3927AFF211A6AE933) | [82](#sDFB9701EC93B55C3927AFF211A6AE933) |
|  | [Note 5—Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments](#s88F0E4D7019A50548157DC1535B194F2) | [94](#s88F0E4D7019A50548157DC1535B194F2) |
|  | [Note 6—Variable Interest Entities and Securitizations](#sE391F54D16345485B01A1DA4577C8CF2) | [98](#sE391F54D16345485B01A1DA4577C8CF2) |
|  | [Note 7—Goodwill and Intangible Assets](#s91F7CC48CE4C5BB182F950DE81BCAE59) | [102](#s91F7CC48CE4C5BB182F950DE81BCAE59) |
|  | [Note 8—Deposits and Borrowings](#sFA051E3F790856DFBB5A7C484F979727) | [104](#sFA051E3F790856DFBB5A7C484F979727) |
|  | [Note 9—Derivative Instruments and Hedging Activities](#s186EBC054AC85325A6A3FBDA7F5516D5) | [105](#s186EBC054AC85325A6A3FBDA7F5516D5) |
|  | [Note 10—Stockholders’ Equity](#s65C6C6AC4AEC536EBC666E0BAA4D433C) | [115](#s65C6C6AC4AEC536EBC666E0BAA4D433C) |
|  | [Note 11—Earnings Per Common Share](#s653334226586522B9ED4F25F37A2D8D4) | [119](#s653334226586522B9ED4F25F37A2D8D4) |
|  | [Note 12—Fair Value Measurement](#s793E3E21991256C5BC8215BD3EF26CA5) | [120](#s793E3E21991256C5BC8215BD3EF26CA5) |
|  | [Note 13—Business Segments and Revenue from Contracts with Customers](#s0FCB44A0A5BE5B83BE1559696A2E2534) | [128](#s0FCB44A0A5BE5B83BE1559696A2E2534) |
|  | [Note 14—Commitments, Contingencies, Guarantees and Others](#sDFE375F199F95E068DB63FB66C7A488A) | [132](#sDFE375F199F95E068DB63FB66C7A488A) |
|  |  |  |
| [Item 2.](#sA898876DAB1B528FA2E39B0331D8FB43) | [Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)](#sA898876DAB1B528FA2E39B0331D8FB43) | [4](#sA898876DAB1B528FA2E39B0331D8FB43) |
|  | [Introduction](#s17C3A1B13752597FA30CD19CA6C36E3F) | [5](#s17C3A1B13752597FA30CD19CA6C36E3F) |
|  | [Summary of Selected Financial Data](#s32D22946A3D2598CBE7AE224F89A8428) | [6](#s32D22946A3D2598CBE7AE224F89A8428) |
|  | [Executive Summary and Business Outlook](#sF6D8686EAAC859DCBC1C2B0B58EF74B6) | [9](#sF6D8686EAAC859DCBC1C2B0B58EF74B6) |
|  | [Consolidated Results of Operations](#sE4B8623B29B25C9BAD1C649A6EABB797) | [12](#sE4B8623B29B25C9BAD1C649A6EABB797) |
|  | [Consolidated Balance Sheets Analysis](#sA190D2738D645CF2AA9CD4BDE1F8EE4B) | [18](#sD085988FD08758A9BDDC8C1114F47F85) |
|  | [Off-Balance Sheet Arrangements](#sC208E05FCE995B0E99F3154F95025CE2) | [20](#sC208E05FCE995B0E99F3154F95025CE2) |
|  | [Business Segment Financial Performance](#sF9BB319550FD520A96A5C471BDFF0C5B) | [20](#sF9BB319550FD520A96A5C471BDFF0C5B) |
|  | [Critical Accounting Policies and Estimates](#s5B29BA38A1A359179D396A1EE5681B59) | [30](#s5B29BA38A1A359179D396A1EE5681B59) |
|  | [Accounting Changes and Developments](#s68D38B1283F15DD78B3960B1D591D98F) | [31](#s68D38B1283F15DD78B3960B1D591D98F) |
|  | [Capital Management](#s883DA592280C5E43ACCA6E4390F5EE6B) | [32](#s883DA592280C5E43ACCA6E4390F5EE6B) |
|  | [Risk Management](#sE49DAF8BFE66552E9EC512DDF661865B) | [37](#sE49DAF8BFE66552E9EC512DDF661865B) |
|  | [Credit Risk Profile](#s894E7C40A9E1525A83C98A159CBD410F) | [38](#s894E7C40A9E1525A83C98A159CBD410F) |
|  | [Liquidity Risk Profile](#sEFEFE0D2A0C5557E91E2DF3235FD3886) | [49](#sEFEFE0D2A0C5557E91E2DF3235FD3886) |
|  | [Market Risk Profile](#s527D31C7DD2D5B9FA966F08036082006) | [52](#s527D31C7DD2D5B9FA966F08036082006) |
|  | [Supervision and Regulation](#sF37AA13841D9573995557BB446BAB048) | [56](#sF37AA13841D9573995557BB446BAB048) |
|  | [Forward-Looking Statements](#s8302CEB511725650B3241F169885E9A3) | [56](#s8302CEB511725650B3241F169885E9A3) |
|  | [Supplemental Table](#s07AC2397694C524294D2552BD337288C) | [59](#s07AC2397694C524294D2552BD337288C) |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 1 | Capital One Financial Corporation (COF) |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | [Glossary and Acronyms](#s0A1598D53E385AE4A62D5C894E98CB37) | [60](#s0A1598D53E385AE4A62D5C894E98CB37) |
| [Item 3.](#sCFA412602EF85D3D927D4064CE4F0DA9) | [Quantitative and Qualitative Disclosures about Market Risk](#sCFA412602EF85D3D927D4064CE4F0DA9) | [136](#sCFA412602EF85D3D927D4064CE4F0DA9) |
| [Item 4.](#s1782AAC49CD7567EA99A9FFCD3C0418F) | [Controls and Procedures](#s1782AAC49CD7567EA99A9FFCD3C0418F) | [136](#s1782AAC49CD7567EA99A9FFCD3C0418F) |
|  |  |  |
| [**PART II—OTHER INFORMATION**](#s7DDBD08FB5E551BCACFA51CFB2232B40) | | [**137**](#s7DDBD08FB5E551BCACFA51CFB2232B40) |
| [Item 1.](#sC6B03ABE603454E49719EECA5205148C) | [Legal Proceedings](#sC6B03ABE603454E49719EECA5205148C) | [137](#sC6B03ABE603454E49719EECA5205148C) |
| [Item 1A.](#sE209C28C8603568CACB317965961853D) | [Risk Factors](#sE209C28C8603568CACB317965961853D) | [137](#s35447F9601A3577AB8CDACAD39018D7C) |
| [Item 2.](#s35447F9601A3577AB8CDACAD39018D7C) | [Unregistered Sales of Equity Securities and Use of Proceeds](#s35447F9601A3577AB8CDACAD39018D7C) | [137](#s35447F9601A3577AB8CDACAD39018D7C) |
| [Item 3.](#sA8FD6355EB9654279D89D2255CD22C60) | [Defaults Upon Senior Securities](#sA8FD6355EB9654279D89D2255CD22C60) | [137](#sA8FD6355EB9654279D89D2255CD22C60) |
| [Item 4.](#s814A324EAEBD59499E910DEE43592E67) | [Mine Safety Disclosures](#s814A324EAEBD59499E910DEE43592E67) | [137](#s814A324EAEBD59499E910DEE43592E67) |
| [Item 5.](#s049B56216EFA53B788E6774EACCAF79C) | [Other Information](#s049B56216EFA53B788E6774EACCAF79C) | [137](#s049B56216EFA53B788E6774EACCAF79C) |
| [Item 6.](#s1738B78793D25F78A370CA4276F72600) | [Exhibits](#s1738B78793D25F78A370CA4276F72600) | [137](#s1738B78793D25F78A370CA4276F72600) |
|  |  |  |
| [**EXHIBIT INDEX**](#sFA3317B0A636522EA246549756AFCA05) | | [**138**](#sFA3317B0A636522EA246549756AFCA05) |
| [**SIGNATURES**](#s4382012C1A6657BEACCACF5F79F6E9BD) | | [**139**](#s4382012C1A6657BEACCACF5F79F6E9BD) |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 2 | Capital One Financial Corporation (COF) |

**INDEX OF MD&A AND SUPPLEMENTAL TABLES**

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| **MD&A Tables:** | | **Page** |
| 1 | [Consolidated Financial Highlights](#sA190D2738D645CF2AA9CD4BDE1F8EE4B) | [6](#sA190D2738D645CF2AA9CD4BDE1F8EE4B) |
| 2 | [Average Balances, Net Interest Income and Net Interest Margin](#s08B9E2B4D5B557D1B23182BBED82CE2D) | [13](#s08B9E2B4D5B557D1B23182BBED82CE2D) |
| 3 | [Rate/Volume Analysis of Net Interest Income](#s3509B782073655BDB37E529921BC1CBC) | [15](#s3509B782073655BDB37E529921BC1CBC) |
| 4 | [Non-Interest Income](#s32FEFAFA2FB6542B928AC6C66D1323EC) | [16](#s32FEFAFA2FB6542B928AC6C66D1323EC) |
| 5 | [Non-Interest Expense](#sDAF9AE2EC3675225A7EC22AAE7D8960E) | [17](#sDAF9AE2EC3675225A7EC22AAE7D8960E) |
| 6 | [Investment Securities](#s4F713C8004DD548DA1049994C2C949AD) | [19](#s4F713C8004DD548DA1049994C2C949AD) |
| 7 | [Loans Held for Investment](#s2C80A663FC7F50F382DA201244531453) | [19](#s2C80A663FC7F50F382DA201244531453) |
| 8 | [Funding Sources Composition](#s85DB9FDAC4045580BA3BB03B164DA82E) | [20](#s85DB9FDAC4045580BA3BB03B164DA82E) |
| 9 | [Business Segment Results](#s8ECD1CA8AEFA5DB4A32B2339312D632A) | [21](#s8ECD1CA8AEFA5DB4A32B2339312D632A) |
| 10 | [Credit Card Business Results](#sDD50E7597B4856B5BF17D9C90CAB7F45) | [22](#sDD50E7597B4856B5BF17D9C90CAB7F45) |
| 10.1 | [Domestic Card Business Results](#s920D310D2998575F862DD80A2B38AC91) | [24](#s920D310D2998575F862DD80A2B38AC91) |
| 11 | [Consumer Banking Business Results](#s58C0ADBB12365DFABDD9C200A32E6294) | [25](#s58C0ADBB12365DFABDD9C200A32E6294) |
| 12 | [Commercial Banking Business Results](#s1CEB2CDDECF756238DABDB410B0595CE) | [27](#s1CEB2CDDECF756238DABDB410B0595CE) |
| 13 | [Other Category Results](#s9AC2A47725575598B50F5C783A693675) | [29](#s9AC2A47725575598B50F5C783A693675) |
| 14 | [Capital Ratios under Basel III](#s980B82A4F33B55209C1E48C4A5CAB61C) | [34](#s980B82A4F33B55209C1E48C4A5CAB61C) |
| 15 | [Regulatory Risk-Based Capital Components and Regulatory Capital Metrics](#s4B8EEBF6785850A6AD3655223564023D) | [35](#s4B8EEBF6785850A6AD3655223564023D) |
| 16 | [Preferred Stock Dividends Paid Per Share](#s14D4F1CB6E215A13A6F5D1988C49F36E) | [36](#s14D4F1CB6E215A13A6F5D1988C49F36E) |
| 17 | [Portfolio Composition of Loans Held for Investment](#s9E373F71AB63536DBBE5C0AE19041872) | [38](#s9E373F71AB63536DBBE5C0AE19041872) |
| 18 | [Commercial Loans by Industry](#s08C088F6CCB15C6E85D599E44F1AC4E1) | [39](#s08C088F6CCB15C6E85D599E44F1AC4E1) |
| 19 | [Credit Score Distribution](#s326B9597BBEB560AA2CACCCB968A2393) | [39](#s326B9597BBEB560AA2CACCCB968A2393) |
| 20 | [30+ Day Delinquencies](#s2F86989C17F1563CAE2B3509EC00F6CF) | [40](#s2F86989C17F1563CAE2B3509EC00F6CF) |
| 21 | [Aging and Geography of 30+ Day Delinquent Loans](#sE94246CFA3B859EF94D34CC9A473B504) | [41](#sE94246CFA3B859EF94D34CC9A473B504) |
| 22 | [90+ Day Delinquent Loans Accruing Interest](#s72290BFC20E35CA8B4B02F853289C4E1) | [42](#s72290BFC20E35CA8B4B02F853289C4E1) |
| 23 | [Nonperforming Loans and Other Nonperforming Assets](#s0DEBF39BB8525E2FBB5078CF7AB90EC2) | [42](#s0DEBF39BB8525E2FBB5078CF7AB90EC2) |
| 24 | [Net Charge-Offs (Recoveries)](#s0EE59F7841925C2A9016A9ADA349C005) | [44](#s0EE59F7841925C2A9016A9ADA349C005) |
| 25 | [Troubled Debt Restructurings](#sA92E512C8DD05744AF7DDEC5C211BE9A) | [45](#sA92E512C8DD05744AF7DDEC5C211BE9A) |
| 26 | [Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments Activity](#s3A815F8724785186BA0BE1A79DA81063) | [47](#s3A815F8724785186BA0BE1A79DA81063) |
| 27 | [Allowance Coverage Ratios](#sC24097F6415856FC9A987B476E7C70E7) | [49](#sC24097F6415856FC9A987B476E7C70E7) |
| 28 | [Liquidity Reserves](#s1A9BBE61F6D556988861C936B4871C59) | [49](#s1A9BBE61F6D556988861C936B4871C59) |
| 29 | [Deposits Composition and Average Deposits Interest Rates](#s170F3F4F9653552C911E7E701DEC14D0) | [51](#s170F3F4F9653552C911E7E701DEC14D0) |
| 30 | [Long-Term Funding](#s377111C67CC657AC8E6DFAF2CD49BF7C) | [52](#s377111C67CC657AC8E6DFAF2CD49BF7C) |
| 31 | [Senior Unsecured Long-Term Debt Credit Ratings](#s5040B18BCF2B598AA365EF13EB0DB4D8) | [52](#s5040B18BCF2B598AA365EF13EB0DB4D8) |
| 32 | [Interest Rate Sensitivity Analysis](#s1B9E23F11BC554A8924B7EF7EB62D5C9) | [54](#s1B9E23F11BC554A8924B7EF7EB62D5C9) |
|  |  |  |
| **Supplemental Table:** | |  |
| [A](#s60E377154AA05984B6F83609E731B08E) | [Reconciliation of Non-GAAP Measures](#s60E377154AA05984B6F83609E731B08E) | [59](#s60E377154AA05984B6F83609E731B08E) |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 3 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**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 “MD&A—Forward-Looking Statements” for more information on the forward-looking statements in this Quarterly Report on Form 10-Q (“this Report”). All statements that address operating performance, events or developments that we expect or anticipate will occur in the future, including those relating to operating results and the Cybersecurity Incident described in “MD&A—Introduction—Cybersecurity Incident” and “Note 14—Commitments, Contingencies, Guarantees and Others” are forward-looking statements. 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 I—Item 1A. Risk Factors” in our 2018 Annual Report on Form 10-K (“2018 Form 10-K”) and “Part II—Item 1A. Risk Factors”. Unless otherwise specified, references to notes to our consolidated financial statements refer to the notes to our consolidated financial statements as of September 30, 2019 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 consolidated financial statements and related notes in this Report and the more detailed information contained in our 2018 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, 2019, 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 “MD&A—Glossary and Acronyms” 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, small business 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 reward expenses, and service charges and other customer-related fees. Our expenses primarily consist of the provision for credit losses, operating expenses, marketing expenses and income taxes.

Our principal operations are organized for management reporting purposes into three major business segments, which are defined primarily based on the products and services provided or the types 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, asset/liability management by our centralized Corporate Treasury group and residual tax expense or benefit to arrive at the consolidated effective tax rate that is not assessed to our primary business segments, are included in the Other category.

|  |  |
| --- | --- |
|  |  |
| • | *Credit Card:* Consists of our domestic consumer and small business card lending, and international card 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, national deposit gathering and national auto lending. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 4 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |
| --- | --- |
|  |  |
| • | *Commercial Banking:* Consists of our lending, deposit gathering, capital markets and treasury management services to commercial real estate and commercial and industrial customers. Our commercial and industrial customers typically include companies with annual revenues between $20 million and $2 billion. |

**Business Developments**

We regularly explore and evaluate opportunities to acquire financial services 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 technology companies and related assets to improve our information technology infrastructure and to deliver on our digital strategy. In addition, we regularly consider the potential disposition of certain of our assets, branches, partnership agreements or lines of business. We may issue equity or debt to fund our acquisitions.

On September 24, 2019, we launched a new credit card issuance program with Walmart Inc. (“Walmart”) and are now the exclusive issuer of Walmart’s cobrand and private label credit card program in the U.S. On October 11, 2019, we completed the acquisition of the existing portfolio of Walmart’s cobrand and private label credit card receivables, which added approximately $8.1 billion to our domestic credit card loans held for investment portfolio as of the acquisition date. We estimate an initial allowance build of approximately $85 million for this acquisition.

In the second quarter of 2019, we made the decision to exit several small partnership portfolios in our Credit Card business. We sold approximately $900 million of receivables and transferred approximately $100 million to loans held for sale as of June 30, 2019, which resulted in a gain on sale of $49 million recognized in other non-interest income and an allowance release of $68 million.

**Cybersecurity Incident**

On July 29, 2019, we announced that on July 19, 2019, we determined there was unauthorized access by an outside individual who obtained certain types of personal information relating to people who had applied for our credit card products and to our credit card customers (the “Cybersecurity Incident”). The Cybersecurity Incident occurred on March 22 and 23, 2019. We believe that a highly sophisticated individual was able to exploit a specific configuration vulnerability in our infrastructure. The configuration vulnerability was reported to us by an external security researcher on July 17, 2019. We then began our own internal investigation, leading to the July 19, 2019, determination that the Cybersecurity Incident occurred. We immediately fixed the configuration vulnerability that this individual exploited and verified there are no other instances in our environment. Among other things, we also augmented our routine automated scanning to look for this issue on a continuous basis. We promptly began working with federal law enforcement. The person responsible was arrested by the Federal Bureau of Investigation on July 29, 2019 and federal prosecution of the responsible person has commenced. The U.S. Attorney’s Office has stated they believe the data has been recovered and that there is no evidence the data was used for fraud or shared by this individual.

This event affected approximately 100 million individuals in the United States and approximately 6 million in Canada. We believe no credit card account numbers or log-in credentials were compromised. The largest category of information accessed was information on consumers and small businesses as of the time they applied for one of our credit card products from 2005 through early 2019. This information included personal information that we routinely collect at the time we receive credit card applications, including names, addresses, zip codes/postal codes, phone numbers, email addresses, dates of birth, and self-reported income. In addition to credit card application data, the individual also obtained portions of credit card customer data, including customer status data (e.g., credit scores, credit limits, balances, payment history, contact information) and fragments of transaction data from a total of 23 days during 2016, 2017 and 2018. Approximately 140,000 Social Security numbers of our credit card customers and approximately 80,000 linked bank account numbers of our secured credit card customers were compromised in this incident. For our Canadian credit card customers, approximately 1 million Social Insurance Numbers were compromised in this incident.

We provided required notification to affected individuals and made free credit monitoring and identity protection available. We retained a leading independent cybersecurity firm that confirmed we correctly identified and fixed the specific configuration vulnerability exploited in the Cybersecurity Incident. We also have retained an outside expert to conduct a review of the root causes of the incident to help further inform our cybersecurity program.

We expect the Cybersecurity Incident to generate certain incremental costs related to the remediation of and response to the incident, largely driven by customer notifications, credit monitoring, technology costs, and professional support. We previously disclosed that we expected to incur approximately $100 million to $150 million of these costs in 2019 and will treat them as adjusting items

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 5 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

as it relates to our financial results (“Cyber Adjusting Items”). We now expect the Cyber Adjusting Items to be at the low end of that range, and that some of these costs will be incurred in 2020.

We carry insurance to cover certain costs associated with a cyber risk event. This insurance has a total coverage limit of $400 million and is subject to a $10 million deductible, which was met in the third quarter of 2019, as well as standard exclusions. We expect that a significant portion of the Cyber Adjusting Items will be covered by insurance. Insurance reimbursements will also be treated as adjusting items, and the timing of recognizing insurance reimbursements may differ from the timing of recognizing the associated expenses.

During the third quarter of 2019, we incurred approximately $22 million of net Cybersecurity Incident expenses, consisting of $49 million of expenses, primarily from customer notifications and credit monitoring, and $27 million of probable insurance recoveries, which were treated as an adjusting item.

We continue to invest significantly in cybersecurity and expect to make additional investments as we continue to assess our cybersecurity program. These estimated investments are in addition to the estimated Cyber Adjusting Items and we expect to absorb them within our existing operating efficiency ratio guidance.

Although the ultimate magnitude and timing of expenses or other impacts to our business or reputation related to the Cybersecurity Incident are uncertain, they may be significant, and some of the costs may not be covered by insurance. However, we do not believe that this incident will negatively impact our strategy or our long-term financial health. For more information, see “Note 14—Commitments, Contingencies, Guarantees and Others.”

Our reported results excluding adjusting items, including the Cyber Adjusting Items, and our existing operating efficiency ratio guidance represent non-GAAP measures which we believe help users of our financial information understand the impact of these adjusting items on our reported results as well as provide an alternate measurement of our operating performance.

|  |
| --- |
|  |
|  |
| **SUMMARY OF SELECTED FINANCIAL DATA** |

The following table presents selected consolidated financial data and performance from our results of operations for the third quarter and first nine months of 2019 and 2018 and selected comparative balance sheet data as of September 30, 2019 and December 31, 2018. We also provide selected key metrics we use in evaluating our performance, including certain metrics that are computed using non-GAAP measures. We believe these non-GAAP metrics provide useful insight to investors and users of our financial information as they provide an alternate measurement of our performance and assist in assessing our capital adequacy and level of return generated.

**Table 1: Consolidated Financial Highlights**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | |
| *(Dollars in millions, except per share data and as noted)* |  | **2019** | | |  | **2018** | | |  | **Change** | |  | **2019** | | |  | **2018** | | |  | **Change** | |
| **Income statement** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Net interest income |  | **$** | **5,737** |  |  | $ | 5,786 |  |  | (1 | )% |  | **$** | **17,274** |  |  | $ | 17,055 |  |  | 1 | % |
| Non-interest income |  | **1,222** | |  |  | 1,176 | |  |  | 4 |  |  | **3,892** | |  |  | 4,008 | |  |  | (3 | ) |
| Total net revenue |  | **6,959** | |  |  | 6,962 | |  |  | — |  |  | **21,166** | |  |  | 21,063 | |  |  | — |  |
| Provision for credit losses |  | **1,383** | |  |  | 1,268 | |  |  | 9 |  |  | **4,418** | |  |  | 4,218 | |  |  | 5 |  |
| Non-interest expense: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Marketing |  | **501** | |  |  | 504 | |  |  | (1 | ) |  | **1,564** | |  |  | 1,343 | |  |  | 16 |  |
| Operating expense |  | **3,371** | |  |  | 3,269 | |  |  | 3 |  |  | **9,758** | |  |  | 9,427 | |  |  | 4 |  |
| Total non-interest expense |  | **3,872** | |  |  | 3,773 | |  |  | 3 |  |  | **11,322** | |  |  | 10,770 | |  |  | 5 |  |
| Income from continuing operations before income taxes |  | **1,704** | |  |  | 1,921 | |  |  | (11 | ) |  | **5,426** | |  |  | 6,075 | |  |  | (11 | ) |
| Income tax provision |  | **375** | |  |  | 420 | |  |  | (11 | ) |  | **1,071** | |  |  | 1,314 | |  |  | (18 | ) |
| Income from continuing operations, net of tax |  | **1,329** | |  |  | 1,501 | |  |  | (11 | ) |  | **4,355** | |  |  | 4,761 | |  |  | (9 | ) |
| Income (loss) from discontinued operations, net of tax |  | **4** | |  |  | 1 | |  |  | **\*\*** |  |  | **15** | |  |  | (7 | | ) |  | **\*\*** |  |
| **Net income** |  | **1,333** | |  |  | 1,502 | |  |  | (11 | ) |  | **4,370** | |  |  | 4,754 | |  |  | (8 | ) |
| Dividends and undistributed earnings allocated to participating securities |  | **(10** | | **)** |  | (9 | | ) |  | 11 |  |  | **(34** | | **)** |  | (32 | | ) |  | 6 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 6 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | |
| *(Dollars in millions, except per share data and as noted)* |  | **2019** | | |  | **2018** | | |  | **Change** | |  | **2019** | | |  | **2018** | | |  | **Change** | |
| Preferred stock dividends |  | **(53** | | **)** |  | (53 | | ) |  | — |  |  | **(185** | | **)** |  | (185 | | ) |  | — |  |
| **Net income available to common stockholders** |  | **$** | **1,270** |  |  | $ | 1,440 |  |  | (12 | ) |  | **$** | **4,151** |  |  | $ | 4,537 |  |  | (9 | ) |
| **Common share statistics** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  |  |
| **Basic earnings per common share:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Net income from continuing operations |  | **$** | **2.70** |  |  | $ | 3.01 |  |  | (10 | )% |  | **$** | **8.80** |  |  | $ | 9.40 |  |  | (6 | )% |
| Income (loss) from discontinued operations |  | **0.01** | |  |  | — | |  |  | **\*\*** |  |  | **0.03** | |  |  | (0.01 | | ) |  | **\*\*** |  |
| Net income per basic common share |  | **$** | **2.71** |  |  | $ | 3.01 |  |  | (10 | ) |  | **$** | **8.83** |  |  | $ | 9.39 |  |  | (6 | ) |
| **Diluted earnings per common share:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Net income from continuing operations |  | **$** | **2.68** |  |  | $ | 2.99 |  |  | (10 | )% |  | **$** | **8.76** |  |  | $ | 9.33 |  |  | (6 | )% |
| Income (loss) from discontinued operations |  | **0.01** | |  |  | — | |  |  | **\*\*** |  |  | **0.03** | |  |  | (0.01 | | ) |  | **\*\*** |  |
| Net income per diluted common share |  | **$** | **2.69** |  |  | $ | 2.99 |  |  | (10 | ) |  | **$** | **8.79** |  |  | $ | 9.32 |  |  | (6 | ) |
| **Weighted-average common shares outstanding (in millions):** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Basic |  | **469.5** | |  |  | 477.8 | |  |  | (2 | )% |  | **469.9** | |  |  | 483.2 | |  |  | (3 | )% |
| Diluted |  | **471.8** | |  |  | 480.9 | |  |  | (2 | ) |  | **472.1** | |  |  | 486.7 | |  |  | (3 | ) |
| Common shares outstanding (period-end, in millions) |  | **465.7** | |  |  | 473.7 | |  |  | (2 | ) |  | **465.7** | |  |  | 473.7 | |  |  | (2 | ) |
| Dividends declared and paid per common share |  | **$** | **0.40** |  |  | $ | 0.40 |  |  | — |  |  | **$** | **1.20** |  |  | $ | 1.20 |  |  | — |  |
| Tangible book value per common share (period-end)(1) |  | **80.46** | |  |  | 66.15 | |  |  | 22 |  |  | **80.46** | |  |  | 66.15 | |  |  | 22 |  |
| **Balance sheet (average balances)** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Loans held for investment |  | **$** | **246,147** |  |  | $ | 236,766 |  |  | 4 | % |  | **$** | **243,602** |  |  | $ | 242,369 |  |  | 1 | % |
| Interest-earning assets |  | **340,949** | |  |  | 330,272 | |  |  | 3 |  |  | **338,936** | |  |  | 331,318 | |  |  | 2 |  |
| Total assets |  | **374,905** | |  |  | 360,937 | |  |  | 4 |  |  | **372,148** | |  |  | 362,293 | |  |  | 3 |  |
| Interest-bearing deposits |  | **232,063** | |  |  | 221,431 | |  |  | 5 |  |  | **230,045** | |  |  | 221,400 | |  |  | 4 |  |
| Total deposits |  | **255,082** | |  |  | 246,720 | |  |  | 3 |  |  | **253,389** | |  |  | 246,932 | |  |  | 3 |  |
| Borrowings |  | **49,413** | |  |  | 51,684 | |  |  | (4 | ) |  | **50,804** | |  |  | 52,858 | |  |  | (4 | ) |
| Common equity |  | **52,566** | |  |  | 46,407 | |  |  | 13 |  |  | **50,393** | |  |  | 45,521 | |  |  | 11 |  |
| Total stockholders’ equity |  | **57,245** | |  |  | 50,768 | |  |  | 13 |  |  | **54,861** | |  |  | 49,882 | |  |  | 10 |  |
| **Selected performance metrics** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  |  |
| Purchase volume(2) |  | **$** | **108,034** |  |  | $ | 97,469 |  |  | 11 | % |  | **$** | **308,134** |  |  | $ | 281,406 |  |  | 9 | % |
| Total net revenue margin(3) |  | **8.16** | | **%** |  | 8.43 | | % |  | (27 | )bps |  | **8.33** | | **%** |  | 8.48 | | % |  | (15 | )bps |
| Net interest margin(4) |  | **6.73** | |  |  | 7.01 | |  |  | (28 | ) |  | **6.80** | |  |  | 6.86 | |  |  | (6 | ) |
| Return on average assets |  | **1.42** | |  |  | 1.66 | |  |  | (24 | ) |  | **1.56** | |  |  | 1.75 | |  |  | (19 | ) |
| Return on average tangible assets(5) |  | **1.48** | |  |  | 1.74 | |  |  | (26 | ) |  | **1.63** | |  |  | 1.83 | |  |  | (20 | ) |
| Return on average common equity(6) |  | **9.63** | |  |  | 12.40 | |  |  | (277 | ) |  | **10.94** | |  |  | 13.31 | |  |  | (237 | ) |
| Return on average tangible common equity (“TCE”)(7) |  | **13.45** | |  |  | 18.32 | |  |  | (487 | ) |  | **15.54** | |  |  | 19.88 | |  |  | (434 | ) |
| Equity-to-assets ratio(8) |  | **15.27** | |  |  | 14.07 | |  |  | 120 |  |  | **14.74** | |  |  | 13.77 | |  |  | 97 |  |
| Non-interest expense as a percentage of average loans held for investment |  | **6.29** | |  |  | 6.37 | |  |  | (8 | ) |  | **6.20** | |  |  | 5.92 | |  |  | 28 |  |
| Efficiency ratio(9) |  | **55.64** | |  |  | 54.19 | |  |  | 145 |  |  | **53.49** | |  |  | 51.13 | |  |  | 236 |  |
| Operating efficiency ratio(10) |  | **48.44** | |  |  | 46.95 | |  |  | 149 |  |  | **46.10** | |  |  | 44.76 | |  |  | 134 |  |
| Effective income tax rate from continuing operations |  | **22.0** | |  |  | 21.9 | |  |  | 10 |  |  | **19.7** | |  |  | 21.6 | |  |  | (190 | ) |
| Net charge-offs |  | **$** | **1,462** |  |  | $ | 1,425 |  |  | 3 | % |  | **$** | **4,569** |  |  | $ | 4,502 |  |  | 1 | % |
| Net charge-off rate(11) |  | **2.38** | | **%** |  | 2.41 | | % |  | (3 | )bps |  | **2.50** | | **%** |  | 2.48 | | % |  | 2 | bps |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions, except as noted)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |  | **Change** | |
| **Balance sheet (period-end)** |  |  | | |  |  | | |  |  | |
| Loans held for investment |  | **$** | **249,355** |  |  | $ | 245,899 |  |  | 1 | % |
| Interest-earning assets |  | **344,643** | |  |  | 341,293 | |  |  | 1 |  |
| Total assets |  | **378,810** | |  |  | 372,538 | |  |  | 2 |  |
| Interest-bearing deposits |  | **234,084** | |  |  | 226,281 | |  |  | 3 |  |
| Total deposits |  | **257,148** | |  |  | 249,764 | |  |  | 3 |  |
| Borrowings |  | **50,149** | |  |  | 58,905 | |  |  | (15 | ) |
| Common equity |  | **52,412** | |  |  | 47,307 | |  |  | 11 |  |
| Total stockholders’ equity |  | **58,235** | |  |  | 51,668 | |  |  | 13 |  |
| **Credit quality metrics** |  |  | | |  |  | | |  |  |  |
| Allowance for loan and lease losses |  | **$** | **7,037** |  |  | $ | 7,220 |  |  | (3 | )% |
| Allowance as a percentage of loans held for investment (“allowance coverage ratio”) |  | **2.82** | | **%** |  | 2.94 | | % |  | (12 | )bps |
| 30+ day performing delinquency rate |  | **3.28** | |  |  | 3.62 | |  |  | (34 | ) |
| 30+ day delinquency rate |  | **3.51** | |  |  | 3.84 | |  |  | (33 | ) |
| **Capital ratios** |  |  | |  |  |  | | |  |  |  |
| Common equity Tier 1 capital(12) |  | **12.5** | | **%** |  | 11.2 | | % |  | 130 | bps |
| Tier 1 capital(12) |  | **14.4** | |  |  | 12.7 | |  |  | 170 |  |
| Total capital(12) |  | **16.8** | |  |  | 15.1 | |  |  | 170 |  |
| Tier 1 leverage(12) |  | **11.9** | |  |  | 10.7 | |  |  | 120 |  |
| Tangible common equity(13) |  | **10.3** | |  |  | 9.1 | |  |  | 120 |  |
| Supplementary leverage(12) |  | **10.1** | |  |  | 9.0 | |  |  | 110 |  |
| **Other** |  |  | | |  |  | | |  |  |  |
| Employees (period end, in thousands) |  | **52.1** | |  |  | 47.6 | |  |  | 9 | % |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 7 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Tangible book value per common share is a non-GAAP measure calculated based on tangible common equity divided by common shares outstanding. See “MD&A—Table A —Reconciliation of Non-GAAP Measures” for additional information on non-GAAP measures. |

|  |  |
| --- | --- |
|  |  |
| (2) | Purchase volume consists of purchase transactions, net of returns, for the period for loans both classified as held for investment and held for sale in our Credit Card business, and excludes cash advance and balance transfer transactions. |

|  |  |
| --- | --- |
|  |  |
| (3) | Total net revenue margin is calculated based on annualized total net revenue for the period divided by average interest-earning assets for the period. |

|  |  |
| --- | --- |
|  |  |
| (4) | Net interest margin is calculated based on annualized net interest income for the period divided by average interest-earning assets for the period. |

|  |  |
| --- | --- |
|  |  |
| (5) | Return on average tangible assets is a non-GAAP measure 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” for additional information on non-GAAP measures. |

|  |  |
| --- | --- |
|  |  |
| (6) | Return on average common equity is calculated based on annualized (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) | Return on average tangible common equity is a non-GAAP measure calculated based on annualized (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” for additional information on non-GAAP measures. |

|  |  |
| --- | --- |
|  |  |
| (8) | Equity-to-assets ratio is calculated based on average stockholders’ equity for the period divided by average total assets for the period. |

|  |  |
| --- | --- |
|  |  |
| (9) | Efficiency ratio is calculated based on non-interest expense for the period divided by total net revenue for the period. |

|  |  |
| --- | --- |
|  |  |
| (10) | Operating efficiency ratio is calculated based on operating expense for the period divided by total net revenue for the period. |

|  |  |
| --- | --- |
|  |  |
| (11) | Net charge-off rate is calculated by dividing annualized net charge-offs by average loans held for investment for the period for each loan category. |

|  |  |
| --- | --- |
|  |  |
| (12) | Capital ratios are calculated based on the Basel III Standardized Approach framework, subject to applicable transition provision. See “MD&A—Capital Management” for additional information. |

|  |  |
| --- | --- |
|  |  |
| (13) | Tangible common equity ratio is a non-GAAP measure calculated based on TCE divided by tangible assets. See “MD&A—Table A—Reconciliation of Non-GAAP Measures” for the calculation of this measure and reconciliation to the comparative U.S. GAAP measure. |

|  |  |
| --- | --- |
|  |  |
| \*\* | Not meaningful. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 8 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |
| --- |
|  |
|  |
| **EXECUTIVE SUMMARY AND BUSINESS OUTLOOK** |

**Financial Highlights**

We reported net income of $1.3 billion ($2.69 per diluted common share) on total net revenue of $7.0 billion and net income of $4.4 billion ($8.79 per diluted common share) on total net revenue of $21.2 billion for the third quarter and first nine months of 2019, respectively. In comparison, we reported net income of $1.5 billion ($2.99 per diluted common share) on total net revenue of $7.0 billion and net income of $4.8 billion ($9.32 per diluted common share) on total net revenue of $21.1 billion for the third quarter and first nine months of 2018, respectively.

Our common equity Tier 1 capital ratio as calculated under the Basel III Standardized Approach was 12.5% and 11.2% as of September 30, 2019 and December 31, 2018, respectively. See “MD&A—Capital Management” below for additional information.

On June 27, 2019, we announced that our Board of Directors authorized the repurchase of up to $2.2 billion of shares of our common stock (“2019 Stock Repurchase Program”) beginning in the third quarter of 2019 through the end of the second quarter of 2020. During the third quarter of 2019, we repurchased approximately $466 million of shares of our common stock under the 2019 Stock Repurchase Program. See “MD&A—Capital Management—Dividend Policy and Stock Purchases” for additional information.

On July 29, 2019, we announced the Cybersecurity Incident. For more information, see “MD&A—Introduction—Cybersecurity Incident” and “Note 14—Commitments, Contingencies, Guarantees and Others.” Below are additional highlights of our performance in the third quarter and first nine months of 2019. These highlights are generally based on a comparison between the results of the third quarter and first nine months of 2019 and 2018, 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, 2019 compared to our financial condition and credit performance as of December 31, 2018. 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 decreased by $169 million to $1.3 billion in the third quarter of 2019, primarily driven by: |

|  |  |
| --- | --- |
|  |  |
| ◦ | an increase in our U.K. Payment Protection Insurance customer refund reserve (“U.K. PPI Reserve”) due to significantly elevated claims volume ahead of the August 29, 2019 claims submission deadline. The U.K. PPI Reserve build impacts net interest income, non-interest income and non-interest expense; for more information on our U.K. PPI Reserve see “Note 14—Commitments, Contingencies, Guarantees and Others”; |

|  |  |
| --- | --- |
|  |  |
| ◦ | higher provision for credit losses due to a smaller allowance release in our domestic credit card loan portfolio and charge-offs on certain underperforming energy borrowers in our commercial loan portfolio; and |

|  |  |
| --- | --- |
|  |  |
| ◦ | higher non-interest expense due to expenses related to the Walmart partnership, and continued investments in technology and infrastructure. |

These drivers were partially offset by:

◦higher net interchange fees due to higher purchase volume; and

|  |  |
| --- | --- |
|  |  |
| ◦ | the absence of significant activities that occurred in the third quarter of 2018, including gains from the sales of exited businesses, an impairment charge as a result of repositioning our investment securities portfolio, and a legal reserve build. |

Net income decreased by $384 million to $4.4 billion in the first nine months of 2019 primarily driven by:

|  |  |
| --- | --- |
|  |  |
| ◦ | higher non-interest expense due to continued investments in technology and infrastructure, expenses related to the Walmart partnership, and increased marketing expense; |

|  |  |
| --- | --- |
|  |  |
| ◦ | the impact of the U.K. PPI Reserve build; and |

|  |  |
| --- | --- |
|  |  |
| ◦ | higher provision for credit losses from charge-offs and an allowance build due to credit deterioration in our commercial energy loan portfolio. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 9 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

These drivers were partially offset by:

|  |  |
| --- | --- |
|  |  |
| ◦ | an increase in net interchange fees driven by higher purchase volume and updated rewards cost estimates; |

|  |  |
| --- | --- |
|  |  |
| ◦ | higher net interest income due to higher yields on interest-earning assets and growth in our loan and investment portfolios, partially offset by higher rates paid and growth in our deposit products; and |

|  |  |
| --- | --- |
|  |  |
| ◦ | the absence of significant activities that occurred in the first nine months of 2018, including gains from the sales of our consumer home loan portfolio, an impairment charge as a result of repositioning our investment securities portfolio, and a legal reserve build. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Loans Held for Investment*: |

|  |  |
| --- | --- |
|  |  |
| ◦ | Period-end loans held for investment increased by $3.5 billion to $249.4 billion as of September 30, 2019 from December 31, 2018 primarily driven by growth in our commercial, domestic credit card and auto loan portfolios, partially offset by expected seasonal paydowns in our domestic credit card loan portfolio and the sale of certain partnership receivables. |

|  |  |
| --- | --- |
|  |  |
| ◦ | Average loans held for investment increased by $9.4 billion to $246.1 billion in the third quarter of 2019 compared to the third quarter of 2018 and increased $1.2 billion to $243.6 billion in the first nine months of 2019 compared to the first nine months of 2018 primarily driven by growth in our commercial, domestic credit card and auto loan portfolios, partially offset by the impact of the sale of our consumer home loan portfolio. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Net Charge-Off and Delinquency Metrics:* Our net charge-off rate decreased by 3 basis points to 2.38% in the third quarter of 2019 compared to the third quarter of 2018 primarily driven by the strong economy and stable underlying credit performance in our domestic credit card and auto loan portfolios, partially offset by higher charge-offs in our commercial energy loan portfolio. |

Our net charge-off rate remained substantially flat at 2.50% in the first nine months of 2019 compared to the first nine months of 2018 as the impact of lower loan balances from the sale of our consumer home loan portfolio was largely offset by the growth of our commercial loan portfolio.

Our 30+ day delinquency rate decreased by 33 basis points to 3.51% as of September 30, 2019 from December 31, 2018 primarily driven by the strong economy and stable underlying credit performance in our domestic credit card loan portfolio as well as growth in our auto loan portfolio and seasonally lower auto delinquency inventories.

|  |  |
| --- | --- |
|  |  |
| • | *Allowance for Loan and Lease Losses:* Our allowance for loan and lease losses decreased by $183 million to $7.0 billion and the allowance coverage ratio decreased by 12 basis points to 2.82% as of September 30, 2019 from December 31, 2018 primarily driven by an allowance release in our domestic credit card loan portfolio largely due to the strong economy, stable underlying credit performance and the impact of the sale of certain partnership receivables. |

**Business Outlook**

We discuss below our current expectations regarding our total company performance and the performance of our business segments based on market conditions, the regulatory environment and our business strategies. 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 II—Item 7. MD&A” in our 2018 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:

|  |  |
| --- | --- |
|  |  |
| • | any change in current dividend or repurchase strategies; |

|  |  |
| --- | --- |
|  |  |
| • | the effect of any acquisitions, divestitures or similar transactions that have not been previously disclosed; |

|  |  |
| --- | --- |
|  |  |
| • | any changes in laws, regulations or regulatory interpretations, in each case after the date as of which such statements are made; or |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 10 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |
| --- | --- |
|  |  |
| • | the potential impact on our business, operations and reputation from, and expenses and uncertainties associated with, the Cybersecurity Incident, other than the incremental costs related to the incident we expect to incur in 2019 which will be separately reported as an adjusting item as it relates to the Company’s financial results. |

See “MD&A—Forward-Looking Statements” in this Report for more information on the forward-looking statements and “Part I—Item 1A. Risk Factors” in our 2018 Form 10-K for factors that could materially influence our results.

***Total Company Expectations***

*Marketing and Efficiency:*

|  |  |
| --- | --- |
|  |  |
| • | We expect marketing expense for full-year 2019 to be modestly higher than marketing expense for full-year 2018. |

|  |  |
| --- | --- |
|  |  |
| • | We expect to achieve modest improvements in full-year operating efficiency ratio, net of adjustments, in both 2019 and 2020, with a larger improvement to 42% in 2021. |

|  |  |
| --- | --- |
|  |  |
| • | We expect this operating efficiency ratio improvement to drive significant improvement in our total efficiency ratio by 2021. |

*Capital/Current Expected Credit Loss (“CECL”):*

|  |  |
| --- | --- |
|  |  |
| • | We currently estimate that the implementation of the CECL model will increase our reserves for credit losses by approximately 30% to 40%, largely driven by our consumer lending portfolios, and that the phased-in impact of adopting CECL will reduce our 2020 common equity Tier 1 capital ratio by 13 to 18 basis points. See “MD&A—Accounting Changes and Developments” in this Report for additional information related to the CECL adoption impact. |

***Business Segment Expectations***

*Domestic Card:*

|  |  |
| --- | --- |
|  |  |
| • | We continue to expect approximately $225 million of cumulative one-time Walmart launch costs in 2019, with the remaining amount occurring in the fourth quarter. |

|  |  |
| --- | --- |
|  |  |
| • | We estimate the acquired Walmart portfolio will have the following impacts to our Domestic Card business in the fourth quarter of 2019: |

|  |  |
| --- | --- |
|  |  |
| ◦ | An initial allowance build of approximately $85 million; |

|  |  |
| --- | --- |
|  |  |
| ◦ | Reduce the net charge-off rate by approximately 25 basis points; |

|  |  |
| --- | --- |
|  |  |
| ◦ | Reduce revenue margin by approximately 35 basis points; and |

|  |  |
| --- | --- |
|  |  |
| ◦ | Increase the 30+ performing delinquency rate by approximately 25 basis points at the end of the fourth quarter. |

|  |  |
| --- | --- |
|  |  |
| • | We estimate the acquired Walmart portfolio will have the following impacts to our Domestic Card business in 2020: |

|  |  |
| --- | --- |
|  |  |
| ◦ | Reduce the full-year 2020 net charge-off rate by approximately 25 basis points, with some quarterly variability; |

|  |  |
| --- | --- |
|  |  |
| ◦ | Reduce revenue margin by approximately 50 basis points in the first three quarters of 2020, and after the revenue share increases in October 2020, approximately 35 basis points in the fourth quarter of 2020; and |

|  |  |
| --- | --- |
|  |  |
| ◦ | Increase the 30+ performing delinquency rate by approximately 15 basis points at the end of 2020. |

|  |  |
| --- | --- |
|  |  |
| • | We expect the net charge-off rate and revenue margin impacts of the acquired Walmart portfolio to diminish after 2020 as the acquired portfolio runs off. |

*Consumer Banking:*

|  |  |
| --- | --- |
|  |  |
| • | We continue to expect that the annual auto net charge-off rate will increase gradually as the cycle plays out. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 11 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |
| --- |
|  |
|  |
| **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 2019 and 2018. We provide a discussion of our business segment results in the following section, “MD&A—Business Segment Financial Performance.” You should read this section together with our “MD&A—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 paid on our interest-bearing liabilities. Interest-earning assets include loans, investment securities and other interest-earning assets, while our interest-bearing liabilities include interest-bearing deposits, securitized debt obligations, senior and subordinated notes, other borrowings and other interest-bearing liabilities. 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-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.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 12 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 2 below presents, for each major category of our interest-earning assets and interest-bearing liabilities, the average outstanding balance, interest income earned, interest expense incurred and average yield for the third quarter and first nine months of 2019 and 2018. Nonperforming loans are included in the average loan balances below.

**Table 2: Average Balances, Net Interest Income and Net Interest Margin**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | | | | | |  | **2018** | | | | | | | | | |
| *(Dollars in millions)* |  | **Average**  **Balance** | | |  | **Interest Income/**  **Expense** | | |  | **Average Yield/ Rate** | |  | **Average**  **Balance** | | |  | **Interest Income/**  **Expense** | | |  | **Average Yield/ Rate** | |
| **Assets:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Interest-earning assets: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Loans:(1) |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Credit card |  | **$** | **112,484** |  |  | **$** | **4,369** |  |  | **15.54** | **%** |  | $ | 109,510 |  |  | $ | 4,324 |  |  | 15.79 | % |
| Consumer banking |  | **61,271** | |  |  | **1,297** | |  |  | **8.47** |  |  | 59,633 | |  |  | 1,191 | |  |  | 7.99 |  |
| Commercial banking(2) |  | **73,664** | |  |  | **820** | |  |  | **4.45** |  |  | 68,913 | |  |  | 782 | |  |  | 4.54 |  |
| Other(3) |  | **—** | |  |  | **(57** | | **)** |  | **\*\*** |  |  | 94 | |  |  | (50 | | ) |  | \*\* |  |
| Total loans, including loans held for sale |  | **247,419** | |  |  | **6,429** | |  |  | **10.39** |  |  | 238,150 | |  |  | 6,247 | |  |  | 10.49 |  |
| Investment securities |  | **80,762** | |  |  | **583** | |  |  | **2.88** |  |  | 83,894 | |  |  | 593 | |  |  | 2.83 |  |
| Cash equivalents and other interest-earning assets |  | **12,768** | |  |  | **63** | |  |  | **2.00** |  |  | 8,228 | |  |  | 55 | |  |  | 2.66 |  |
| Total interest-earning assets |  | **340,949** | |  |  | **7,075** | |  |  | **8.30** |  |  | 330,272 | |  |  | 6,895 | |  |  | 8.35 |  |
| Cash and due from banks |  | **4,376** | |  |  |  | | |  |  | |  | 3,898 | |  |  |  | | |  |  | |
| Allowance for loan and lease losses |  | **(7,125** | | **)** |  |  | | |  |  | |  | (7,366 | | ) |  |  | | |  |  | |
| Premises and equipment, net |  | **4,279** | |  |  |  | | |  |  | |  | 4,157 | |  |  |  | | |  |  | |
| Other assets |  | **32,426** | |  |  |  | | |  |  | |  | 29,976 | |  |  |  | | |  |  | |
| Total assets |  | **$** | **374,905** |  |  |  | | |  |  | |  | $ | 360,937 |  |  |  | | |  |  | |
| **Liabilities and stockholders’ equity:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Interest-bearing liabilities: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Interest-bearing deposits |  | **$** | **232,063** |  |  | **$** | **901** |  |  | **1.55** | **%** |  | $ | 221,431 |  |  | $ | 681 |  |  | 1.23 | % |
| Securitized debt obligations |  | **16,750** | |  |  | **123** | |  |  | **2.94** |  |  | 18,917 | |  |  | 127 | |  |  | 2.68 |  |
| Senior and subordinated notes |  | **31,220** | |  |  | **299** | |  |  | **3.84** |  |  | 31,660 | |  |  | 288 | |  |  | 3.63 |  |
| Other borrowings and liabilities |  | **2,698** | |  |  | **15** | |  |  | **2.14** |  |  | 3,084 | |  |  | 13 | |  |  | 1.67 |  |
| Total interest-bearing liabilities |  | **282,731** | |  |  | **1,338** | |  |  | **1.89** |  |  | 275,092 | |  |  | 1,109 | |  |  | 1.62 |  |
| Non-interest-bearing deposits |  | **23,019** | |  |  |  | | |  |  | |  | 25,289 | |  |  |  | | |  |  | |
| Other liabilities |  | **11,910** | |  |  |  | | |  |  | |  | 9,788 | |  |  |  | | |  |  | |
| Total liabilities |  | **317,660** | |  |  |  | | |  |  | |  | 310,169 | |  |  |  | | |  |  | |
| Stockholders’ equity |  | **57,245** | |  |  |  | | |  |  | |  | 50,768 | |  |  |  | | |  |  | |
| Total liabilities and stockholders’ equity |  | **$** | **374,905** |  |  |  | | |  |  | |  | $ | 360,937 |  |  |  | | |  |  | |
| Net interest income/spread | | | | |  | **$** | **5,737** |  |  | **6.41** |  |  |  | | |  | $ | 5,786 |  |  | 6.73 |  |
| Impact of non-interest-bearing funding | | | | | | | | |  | **0.32** |  |  |  | | |  |  | | |  | 0.28 |  |
| Net interest margin | | | | | | | | |  | **6.73** | **%** |  |  | | |  |  | | |  | 7.01 | % |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 13 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | | | | | |  | **2018** | | | | | | | | | |
| *(Dollars in millions)* |  | **Average**  **Balance** | | |  | **Interest Income/**  **Expense** | | |  | **Average Yield/ Rate** | |  | **Average**  **Balance** | | |  | **Interest Income/**  **Expense** | | |  | **Average Yield/ Rate** | |
| **Assets:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Interest-earning assets: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Loans:(1) |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Credit card |  | **$** | **111,584** |  |  | **$** | **13,103** |  |  | **15.66** | **%** |  | $ | 108,968 |  |  | $ | 12,559 |  |  | 15.37 | % |
| Consumer banking |  | **60,072** | |  |  | **3,751** | |  |  | **8.33** |  |  | 67,086 | |  |  | 3,695 | |  |  | 7.34 |  |
| Commercial banking(2) |  | **73,066** | |  |  | **2,517** | |  |  | **4.59** |  |  | 67,373 | |  |  | 2,209 | |  |  | 4.37 |  |
| Other(3) |  | **21** | |  |  | **(191** | | **)** |  | **\*\*** |  |  | 226 | |  |  | (93 | | ) |  | \*\* |  |
| Total loans, including loans held for sale |  | **244,743** | |  |  | **19,180** | |  |  | **10.45** |  |  | 243,653 | |  |  | 18,370 | |  |  | 10.05 |  |
| Investment securities |  | **82,264** | |  |  | **1,867** | |  |  | **3.03** |  |  | 77,819 | |  |  | 1,584 | |  |  | 2.71 |  |
| Cash equivalents and other interest-earning assets |  | **11,929** | |  |  | **196** | |  |  | **2.19** |  |  | 9,846 | |  |  | 174 | |  |  | 2.36 |  |
| Total interest-earning assets |  | **338,936** | |  |  | **21,243** | |  |  | **8.36** |  |  | 331,318 | |  |  | 20,128 | |  |  | 8.10 |  |
| Cash and due from banks |  | **4,281** | |  |  |  | | |  |  | |  | 3,768 | |  |  |  | | |  |  | |
| Allowance for loan and lease losses |  | **(7,221** | | **)** |  |  | | |  |  | |  | (7,468 | | ) |  |  | | |  |  | |
| Premises and equipment, net |  | **4,275** | |  |  |  | | |  |  | |  | 4,147 | |  |  |  | | |  |  | |
| Other assets |  | **31,877** | |  |  |  | | |  |  | |  | 30,528 | |  |  |  | | |  |  | |
| Total assets |  | **$** | **372,148** |  |  |  | | |  |  | |  | $ | 362,293 |  |  |  | | |  |  | |
| **Liabilities and stockholders’ equity:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Interest-bearing liabilities: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Interest-bearing deposits |  | **$** | **230,045** |  |  | **$** | **2,588** |  |  | **1.50** | **%** |  | $ | 221,400 |  |  | $ | 1,842 |  |  | 1.11 | % |
| Securitized debt obligations |  | **17,912** | |  |  | **405** | |  |  | **3.02** |  |  | 19,251 | |  |  | 358 | |  |  | 2.46 |  |
| Senior and subordinated notes |  | **30,897** | |  |  | **923** | |  |  | **3.98** |  |  | 31,452 | |  |  | 828 | |  |  | 3.51 |  |
| Other borrowings and liabilities |  | **3,228** | |  |  | **53** | |  |  | **2.19** |  |  | 4,674 | |  |  | 45 | |  |  | 1.28 |  |
| Total interest-bearing liabilities |  | **282,082** | |  |  | **3,969** | |  |  | **1.88** |  |  | 276,777 | |  |  | 3,073 | |  |  | 1.49 |  |
| Non-interest-bearing deposits |  | **23,344** | |  |  |  | | |  |  | |  | 25,532 | |  |  |  | | |  |  | |
| Other liabilities |  | **11,861** | |  |  |  | | |  |  | |  | 10,102 | |  |  |  | | |  |  | |
| Total liabilities |  | **317,287** | |  |  |  | | |  |  | |  | 312,411 | |  |  |  | | |  |  | |
| Stockholders’ equity |  | **54,861** | |  |  |  | | |  |  | |  | 49,882 | |  |  |  | | |  |  | |
| Total liabilities and stockholders’ equity |  | **$** | **372,148** |  |  |  | | |  |  | |  | $ | 362,293 |  |  |  | | |  |  | |
| Net interest income/spread | | | | |  | **$** | **17,274** |  |  | **6.48** |  |  |  | | |  | $ | 17,055 |  |  | 6.61 |  |
| Impact of non-interest-bearing funding | | | | | | | | |  | **0.32** |  |  |  | | |  |  | | |  | 0.25 |  |
| Net interest margin | | | | | | | | |  | **6.80** | **%** |  |  | | |  |  | | |  | 6.86 | % |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Past due fees included in interest income totaled approximately $423 million and $1.2 billion in the third quarter and first nine months of 2019, respectively, and $433 million and $1.2 billion in the third quarter and first nine months of 2018, respectively. |

|  |  |
| --- | --- |
|  |  |
| (2) | Some of our commercial loans generate tax-exempt income. Accordingly, we present our Commercial Banking interest income and yields on a taxable- equivalent basis, calculated using the federal statutory rate of 21% and state taxes where applicable, with offsetting reductions to the Other category. Taxable-equivalent adjustments included in the interest income and yield computations for our commercial loans totaled approximately $21 million and $62 million in the third quarter and first nine months of 2019, respectively, and $20 million and $61 million in the third quarter and first nine months of 2018, respectively, with corresponding reductions to the Other category. |

|  |  |
| --- | --- |
|  |  |
| (3) | Interest income/expense of Other represents the impact of hedge accounting of our loan portfolios and the offsetting reduction of the taxable-equivalent adjustments of our commercial loans as described above. |

|  |  |
| --- | --- |
|  |  |
| \*\* | Not meaningful. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 14 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Net interest income decreased by $49 million to $5.7 billion in the third quarter of 2019 compared to the third quarter of 2018, primarily driven by higher rates paid and deposit growth as well as the net interest income impact of the U.K. PPI Reserve build, partially offset by growth in our loan portfolios. Net interest income increased by $219 million to $17.3 billion in the first nine months of 2019 compared to the first nine months of 2018, primarily driven by higher yields on interest-earning assets and growth in our loan and investment portfolios, partially offset by higher rates paid and growth in our deposit products and the impact of the U.K. PPI Reserve build.

Net interest margin decreased by 28 basis points to 6.73% in the third quarter of 2019 compared to the third quarter of 2018 primarily driven by higher rates paid on our deposits and the net interest income impact of the U.K. PPI Reserve build. Net interest margin decreased by 6 basis points to 6.80% in the first nine months of 2019 compared to the first nine months of 2018 as higher yields on interest-bearing assets were offset by the higher rates paid on our retail deposits.

Table 3 displays the change in our net interest income between periods and the extent to which the variance is attributable to:

|  |  |
| --- | --- |
|  |  |
| • | changes in the volume of our interest-earning assets and interest-bearing liabilities; or |

|  |  |
| --- | --- |
|  |  |
| • | changes in the interest rates related to these assets and liabilities. |

**Table 3: Rate/Volume Analysis of Net Interest Income(1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | | |
|  |  | **2019 vs. 2018** | | | | | | | | | | |  | **2019 vs. 2018** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Total Variance** | | |  | **Volume** | | |  | **Rate** | | |  | **Total Variance** | | |  | **Volume** | | |  | **Rate** | | |
| **Interest income:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Loans: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Credit card |  | **$** | **45** |  |  | **$** | **116** |  |  | **$** | **(71** | **)** |  | **$** | **544** |  |  | **$** | **305** |  |  | **$** | **239** |  |
| Consumer banking |  | **106** | |  |  | **33** | |  |  | **73** | |  |  | **56** | |  |  | **(386** | | **)** |  | **442** | |  |
| Commercial banking(2) |  | **38** | |  |  | **53** | |  |  | **(15** | | **)** |  | **308** | |  |  | **192** | |  |  | **116** | |  |
| Other(3) |  | **(7** | | **)** |  | **(1** | | **)** |  | **(6** | | **)** |  | **(98** | | **)** |  | **50** | |  |  | **(148** | | **)** |
| Total loans, including loans held for sale |  | **182** | |  |  | **201** | |  |  | **(19** | | **)** |  | **810** | |  |  | **161** | |  |  | **649** | |  |
| Investment securities |  | **(10** | | **)** |  | **(22** | | **)** |  | **12** | |  |  | **283** | |  |  | **94** | |  |  | **189** | |  |
| Cash equivalents and other interest-earning assets |  | **8** | |  |  | **22** | |  |  | **(14** | | **)** |  | **22** | |  |  | **34** | |  |  | **(12** | | **)** |
| Total interest income |  | **180** | |  |  | **201** | |  |  | **(21** | | **)** |  | **1,115** | |  |  | **289** | |  |  | **826** | |  |
| **Interest expense:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest-bearing deposits |  | **220** | |  |  | **34** | |  |  | **186** | |  |  | **746** | |  |  | **74** | |  |  | **672** | |  |
| Securitized debt obligations |  | **(4** | | **)** |  | **(14** | | **)** |  | **10** | |  |  | **47** | |  |  | **(25** | | **)** |  | **72** | |  |
| Senior and subordinated notes |  | **11** | |  |  | **(4** | | **)** |  | **15** | |  |  | **95** | |  |  | **(15** | | **)** |  | **110** | |  |
| Other borrowings and liabilities |  | **2** | |  |  | **(2** | | **)** |  | **4** | |  |  | **8** | |  |  | **(14** | | **)** |  | **22** | |  |
| Total interest expense |  | **229** | |  |  | **14** | |  |  | **215** | |  |  | **896** | |  |  | **20** | |  |  | **876** | |  |
| Net interest income |  | **$** | **(49** | **)** |  | **$** | **187** |  |  | **$** | **(236** | **)** |  | **$** | **219** |  |  | **$** | **269** |  |  | **$** | **(50** | **)** |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (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. |

|  |  |
| --- | --- |
|  |  |
| (2) | Some of our commercial loans generate tax-exempt income. Accordingly, we present our Commercial Banking interest income and yields on a taxable- equivalent basis, calculated using the federal statutory rate of 21% and state taxes where applicable, with offsetting reductions to the Other category. |

|  |  |
| --- | --- |
|  |  |
| (3) | Interest income/expense of Other represents the impact of hedge accounting of our loan portfolios and the offsetting reduction of the taxable-equivalent adjustments of our commercial loans as described above. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 15 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Non-Interest Income**

Table 4 displays the components of non-interest income for the third quarter and first nine months of 2019 and 2018.

**Table 4: Non-Interest Income**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| Interchange fees, net |  | **$** | **790** |  |  | $ | 714 |  |  | **$** | **2,368** |  |  | $ | 2,080 |  |
| Service charges and other customer-related fees |  | **283** | |  |  | 410 | |  |  | **988** | |  |  | 1,233 | |  |
| Net securities gains (losses) |  | **5** | |  |  | (196 | | ) |  | **44** | |  |  | (189 | | ) |
| Other non-interest income:(1) |  |  | | |  |  | | |  |  | | |  |  | | |
| Mortgage banking revenue |  | **48** | |  |  | 151 | |  |  | **127** | |  |  | 629 | |  |
| Treasury and other investment income |  | **36** | |  |  | 16 | |  |  | **139** | |  |  | 62 | |  |
| Other |  | **60** | |  |  | 81 | |  |  | **226** | |  |  | 193 | |  |
| Total other non-interest income |  | **144** | |  |  | 248 | |  |  | **492** | |  |  | 884 | |  |
| Total non-interest income |  | **$** | **1,222** |  |  | $ | 1,176 |  |  | **$** | **3,892** |  |  | $ | 4,008 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes gains on deferred compensation plan investments of $1 million and $39 million for the third quarter and first nine months of 2019, respectively, and $12 million and $17 million for the third quarter and first nine months of 2018, respectively. These amounts have corresponding offsets in salaries and associate benefits expense. |

Non-interest income remained relatively flat at $1.2 billion in the third quarter of 2019 and decreased by $116 million to $3.9 billion in the first nine months of 2019 primarily driven by:

|  |  |
| --- | --- |
|  |  |
| • | the absence of the significant activities that occurred in the first nine months of 2018, including the gains from the sales of our consumer home loan portfolio and the impairment charge as a result of repositioning our investment securities portfolio; and |

|  |  |
| --- | --- |
|  |  |
| • | lower service charges and other customer-related fees, including the impact of the U.K PPI Reserve build. |

These drivers were partially offset by:

|  |  |
| --- | --- |
|  |  |
| • | an increase in net interchange fees driven by higher purchase volume and updated rewards cost estimates; and |

|  |  |
| --- | --- |
|  |  |
| • | the gain on the sale of certain partnership receivables. |

**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. Our provision for credit losses increased by $115 million to $1.4 billion in the third quarter of 2019 compared to the third quarter of 2018 primarily driven by a smaller allowance release in our domestic credit card loan portfolio and charge-offs on certain underperforming energy borrowers in our commercial loan portfolio. Provision for credit losses increased by $200 million to $4.4 billion in the first nine months of 2019 compared to the first nine months of 2018 primarily driven by charge-offs and an allowance build due to credit deterioration in our commercial energy loan portfolio.

The provision for credit losses as a percentage of net interest income was 24.1% and 25.6% in the third quarter and first nine months of 2019, respectively, compared to 21.9% and 24.7% in the third quarter and first nine months of 2018, respectively. We provide additional information on the provision for credit losses and changes in the allowance for loan and lease losses within “MD&A—Credit Risk Profile,” “Note 4—Loans” and “Note 5—Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments.” For information on the allowance methodology for each of our loan categories, see “Note 1—Summary of Significant Accounting Policies” in our 2018 Form 10-K.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 16 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Non-Interest Expense**

Table 5 displays the components of non-interest expense for the third quarter and first nine months of 2019 and 2018.

**Table 5: Non-Interest Expense**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| Salaries and associate benefits(1) |  | **$** | **1,605** |  |  | $ | 1,432 |  |  | **$** | **4,736** |  |  | $ | 4,382 |  |
| Occupancy and equipment |  | **519** | |  |  | 515 | |  |  | **1,533** | |  |  | 1,508 | |  |
| Marketing |  | **501** | |  |  | 504 | |  |  | **1,564** | |  |  | 1,343 | |  |
| Professional services |  | **314** | |  |  | 275 | |  |  | **919** | |  |  | 719 | |  |
| Communications and data processing |  | **312** | |  |  | 311 | |  |  | **944** | |  |  | 934 | |  |
| Amortization of intangibles |  | **25** | |  |  | 44 | |  |  | **84** | |  |  | 131 | |  |
| Other non-interest expense: |  |  | | |  |  | | |  |  | | |  |  | | |
| Bankcard, regulatory and other fee assessments |  | **100** | |  |  | 147 | |  |  | **273** | |  |  | 381 | |  |
| Collections |  | **100** | |  |  | 105 | |  |  | **291** | |  |  | 317 | |  |
| Fraud losses |  | **101** | |  |  | 88 | |  |  | **301** | |  |  | 274 | |  |
| Other(2) |  | **295** | |  |  | 352 | |  |  | **677** | |  |  | 781 | |  |
| Total other non-interest expense |  | **596** | |  |  | 692 | |  |  | **1,542** | |  |  | 1,753 | |  |
| Total non-interest expense |  | **$** | **3,872** |  |  | $ | 3,773 |  |  | **$** | **11,322** |  |  | $ | 10,770 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes expenses related to our deferred compensation plan of $1 million and $39 million for the third quarter and first nine months of 2019, respectively, and $12 million and $17 million for the third quarter and first nine months of 2018, respectively. These amounts have corresponding offsets in other non-interest income. |

|  |  |
| --- | --- |
|  |  |
| (2) | Includes $22 million of net Cybersecurity Incident expenses in the third quarter of 2019, consisting of $49 million of expenses and $27 million of probable insurance recoveries. |

Non-interest expense increased by $99 million to $3.9 billion in the third quarter of 2019 compared to the third quarter of 2018 primarily due to continued investments in technology and infrastructure, expenses related to the Walmart partnership, and the impact of the U.K. PPI Reserve build, partially offset by the absence of the legal reserve build and lower bankcard, regulatory and other fee assessments.

Non-interest expense increased by $552 million to $11.3 billion in the first nine months of 2019 compared to the first nine months of 2018 primarily due to continued investments in technology and infrastructure, expenses related to the Walmart partnership, the impact of the U.K. PPI Reserve build, and increased marketing expenses, partially offset by the absence of the legal reserve build.

**Income Taxes**

We recorded income tax provisions of $375 million (22.0% effective income tax rate) and $1.1 billion (19.7% effective income tax rate) in the third quarter and first nine months of 2019, respectively, compared to $420 million (21.9% effective income tax rate) and $1.3 billion (21.6% effective income tax rate) in the third quarter and first nine months of 2018, 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 effective income tax rate remained substantially flat in the third quarter of 2019. The income tax provision and the effective income tax rate decreased in the first nine months of 2019 compared to the first nine months of 2018 primarily due to higher tax credits and lower overall non-deductible expenses relative to our income, and lower discrete tax expense, partially offset by the non-deductible impact of the U.K. PPI Reserve build.

In addition, we recorded $13 million of discrete tax benefits in the first nine months of 2019 compared to less than $1 million of discrete tax expenses in the first nine months of 2018, and we recorded $2 million of discrete tax expenses in the third quarter of 2019 compared to $26 million of discrete tax benefits in the third quarter of 2018.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 17 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

We provide additional information on items affecting our income taxes and effective tax rate in “Note 16—Income Taxes” in our 2018 Form 10-K.

|  |
| --- |
|  |
|  |
| **CONSOLIDATED BALANCE SHEETS ANALYSIS** |

Total assets increased by $6.3 billion to $378.8 billion as of September 30, 2019 from December 31, 2018 driven by an increase in cash and cash equivalents and growth in our commercial, domestic credit card and auto loan portfolios, partially offset by expected seasonal paydowns in our domestic credit card loan portfolio and the sale of certain partnership receivables.

Total liabilities decreased by $295 million to $320.6 billion as of September 30, 2019 from December 31, 2018 primarily driven by maturities of our short-term Federal Home Loan Banks (“FHLB”) advances, largely offset by deposit growth.

Stockholders’ equity increased by $6.6 billion to $58.2 billion as of September 30, 2019 from December 31, 2018 primarily due to our net income of $4.4 billion, other comprehensive income of $1.7 billion and the issuance of Preferred Stock Series I, partially offset by dividend payments to our stockholders and treasury stock repurchases.

The following is a discussion of material changes in the major components of our assets and liabilities during the first nine months of 2019. Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management activities that are intended to support the adequacy of capital while managing our liquidity requirements, our customers and our market risk exposure in accordance with our risk appetite.

**Investment Securities**

Our investment securities portfolio consists primarily of the following: U.S. Treasury securities; U.S. government-sponsored enterprise or agency (“Agency”) and non-agency residential mortgage-backed securities (“RMBS”); Agency commercial mortgage-backed securities (“CMBS”); and other securities. Agency securities include Government National Mortgage Association (“Ginnie Mae”) guaranteed securities, Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”) issued securities. The U.S. Treasury and Agency securities generally have high credit ratings and low credit risks, and our investments in U.S. Treasury and Agency securities represented 96% of our total investment securities portfolio, as of both September 30, 2019 and December 31, 2018.

The fair value of our available for sale securities portfolio remained substantially flat at $46.2 billion as of September 30, 2019 from December 31, 2018 as the impact of maturities and sales exceeding purchases was offset by the fair value gains due to changes in interest rates. The fair value of our held to maturity securities portfolio decreased by $1.4 billion to $35.3 billion as of September 30, 2019 from December 31, 2018 primarily driven by maturities outpacing purchases, partially offset by fair value gains as a result of changes in interest rates.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 18 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 6 presents the amortized cost, carrying value and fair value for the major categories of our investment securities portfolio as of September 30, 2019 and December 31, 2018.

**Table 6: Investment Securities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | |  | **December 31, 2018** | | | | | | |
| *(Dollars in millions)* |  | **Amortized**  **Cost** | | |  | **Fair**  **Value** | | |  | **Amortized**  **Cost** | | |  | **Fair**  **Value** | | |
| **Investment securities available for sale:** |  |  | | |  |  | | |  |  | | |  |  | | |
| U.S. Treasury securities |  | **$** | **4,173** |  |  | **$** | **4,155** |  |  | $ | 6,146 |  |  | $ | 6,144 |  |
| RMBS: |  |  | | |  |  | | |  |  | | |  |  | | |
| Agency |  | **33,727** | |  |  | **33,713** | |  |  | 32,710 | |  |  | 31,903 | |  |
| Non-agency |  | **1,313** | |  |  | **1,612** | |  |  | 1,440 | |  |  | 1,742 | |  |
| Total RMBS |  | **35,040** | |  |  | **35,325** | |  |  | 34,150 | |  |  | 33,645 | |  |
| Agency CMBS |  | **5,368** | |  |  | **5,396** | |  |  | 4,806 | |  |  | 4,739 | |  |
| Other securities(1) |  | **1,291** | |  |  | **1,292** | |  |  | 1,626 | |  |  | 1,622 | |  |
| Total investment securities available for sale |  | **$** | **45,872** |  |  | **$** | **46,168** |  |  | $ | 46,728 |  |  | $ | 46,150 |  |
|  |  |  | | |  |  | | |  |  | | |  |  | | |
|  |  |  | | |  |  | | |  |  | | |  |  | | |
| *(Dollars in millions)* |  | **Carrying**  **Value** | | |  | **Fair**  **Value** | | |  | **Carrying**  **Value** | | |  | **Fair**  **Value** | | |
| **Investment securities held to maturity:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Agency RMBS |  | **$** | **30,109** |  |  | **$** | **31,289** |  |  | $ | 33,061 |  |  | $ | 32,977 |  |
| Agency CMBS |  | **3,785** | |  |  | **3,975** | |  |  | 3,710 | |  |  | 3,642 | |  |
| Total investment securities held to maturity |  | **$** | **33,894** |  |  | **$** | **35,264** |  |  | $ | 36,771 |  |  | $ | 36,619 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes primarily supranational bonds, foreign government bonds and other asset-backed securities. |

**Loans Held for Investment**

Total loans held for investment consist of both unsecuritized loans and loans held in our consolidated trusts. Table 7 summarizes the carrying value of our loans held for investment by portfolio segment, the allowance for loan and lease losses, and net loan balance as of September 30, 2019 and December 31, 2018.

**Table 7: Loans Held for Investment**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | |  | **December 31, 2018** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Loans** | | |  | **Allowance** | | |  | **Net Loans** | | |  | **Loans** | | |  | **Allowance** | | |  | **Net Loans** | | |
| Credit Card |  | **$** | **113,681** |  |  | **$** | **5,270** |  |  | **$** | **108,411** |  |  | $ | 116,361 |  |  | $ | 5,535 |  |  | $ | 110,826 |  |
| Consumer Banking |  | **62,015** | |  |  | **1,007** | |  |  | **61,008** | |  |  | 59,205 | |  |  | 1,048 | |  |  | 58,157 | |  |
| Commercial Banking |  | **73,659** | |  |  | **760** | |  |  | **72,899** | |  |  | 70,333 | |  |  | 637 | |  |  | 69,696 | |  |
| Total |  | **$** | **249,355** |  |  | **$** | **7,037** |  |  | **$** | **242,318** |  |  | $ | 245,899 |  |  | $ | 7,220 |  |  | $ | 238,679 |  |

Loans held for investment increased by $3.5 billion to $249.4 billion as of September 30, 2019 from December 31, 2018 primarily driven by growth in our commercial, domestic credit card and auto loan portfolios, partially offset by expected seasonal paydowns in our domestic credit card loan portfolio and the sale of certain partnership receivables.

We provide additional information on the composition of our loan portfolio and credit quality below in “MD&A—Credit Risk Profile,” “MD&A—Consolidated Results of Operations” and “Note 4—Loans.”

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 19 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Funding Sources**

Our primary source of funding comes from deposits, as they are a stable and relatively low cost source of funding. In addition to deposits, we also raise funding through the issuance of securitized debt obligations and other debt. Other debt primarily consists of senior and subordinated notes, FHLB advances secured by certain portions of our loan and securities portfolios, and federal funds purchased and securities loaned or sold under agreements to repurchase.

Table 8 provides the composition of our primary sources of funding as of September 30, 2019 and December 31, 2018.

**Table 8: Funding Sources Composition**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | |  | **December 31, 2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **% of Total** | |  | **Amount** | | |  | **% of Total** | |
| Deposits: |  |  | | |  |  | |  |  | | |  |  | |
| Consumer Banking |  | **$** | **206,423** |  |  | **67** | **%** |  | $ | 198,607 |  |  | 64 | % |
| Commercial Banking |  | **30,923** | |  |  | **10** |  |  | 29,480 | |  |  | 10 |  |
| Other(1) |  | **19,802** | |  |  | **7** |  |  | 21,677 | |  |  | 7 |  |
| Total deposits |  | **257,148** | |  |  | **84** |  |  | 249,764 | |  |  | 81 |  |
| Securitized debt obligations |  | **18,910** | |  |  | **6** |  |  | 18,307 | |  |  | 6 |  |
| Other debt |  | **31,239** | |  |  | **10** |  |  | 40,598 | |  |  | 13 |  |
| Total funding sources |  | **$** | **307,297** |  |  | **100** | **%** |  | $ | 308,669 |  |  | 100 | % |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes brokered deposits of $19.0 billion and $21.2 billion as of September 30, 2019 and December 31, 2018, respectively. |

Total deposits increased by $7.4 billion to $257.1 billion as of September 30, 2019 from December 31, 2018 primarily driven by strong growth in our deposit products as a result of our national banking strategy in our Consumer Banking business.

Securitized debt obligations increased by $603 million to $18.9 billion as of September 30, 2019 from December 31, 2018 primarily driven by issuances from both our credit card and auto securitizations, partially offset by maturities in the first nine months of 2019.

Other debt decreased by $9.4 billion to $31.2 billion as of September 30, 2019 from December 31, 2018 primarily driven by maturities of our short-term FHLB advances.

We provide additional information on our funding sources in “MD&A—Liquidity Risk Profile” and “Note 8—Deposits and Borrowings.”

|  |
| --- |
|  |
|  |
| **OFF-BALANCE SHEET ARRANGEMENTS** |

In the ordinary course of business, we engage in certain activities that are not reflected on our consolidated balance sheets, generally referred to as off-balance sheet arrangements. These activities typically involve transactions with unconsolidated variable interest entities (“VIEs”) as well as other arrangements, such as letters of credit, loan commitments and guarantees, to meet the financing needs of our customers and support their ongoing operations. We provide additional information regarding these types of activities in “Note 6—Variable Interest Entities and Securitizations” and “Note 14—Commitments, Contingencies, Guarantees and Others.”

|  |
| --- |
|  |
|  |
| **BUSINESS SEGMENT FINANCIAL PERFORMANCE** |

Our principal operations are organized for management reporting purposes into three major business segments, which are defined primarily based on the products and services provided or the types 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 and residual tax expense or benefit to arrive at the consolidated effective tax rate that is not assessed to our primary business segments, are included in the Other category.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 20 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

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 18—Business Segments and Revenue from Contracts with Customers” in our 2018 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.

We summarize our business segment results for the third quarter and first nine months of 2019 and 2018 and provide a comparative discussion of these results, as well as changes in our financial condition and credit performance metrics as of September 30, 2019 compared to December 31, 2018. We provide a reconciliation of our total business segment results to our reported consolidated results in “Note 13—Business Segments and Revenue from Contracts with Customers.”

***Business Segment Financial Performance***

Table 9 summarizes our business segment results, which we report based on revenue and income from continuing operations, for the third quarter and first nine months of 2019 and 2018.

**Table 9: Business Segment Results**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  | | |  |  | |  | |  | |  | |  |  | | |  |  | |  | |  | |  | |  | |  | |  |  | |  | | |  |  | |  | |  | |  |  | |  | | |  | |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | | | | | | | | | | | | | | | | | | | |  | | **2018** | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Total Net Revenue(1)** | | | | | | | | | | |  | | **Net Income**  **(Loss)(2)** | | | | | | | | | | |  | | **Total Net Revenue (Loss)(1)** | | | | | | | | | | |  | | **Net Income**  **(Loss)(2)** | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Amount** | | | | |  | | **% of Total** | | | |  | | **Amount** | | | | |  | | **% of Total** | | | |  | | **Amount** | | | | |  | | **% of Total** | | | |  | | **Amount** | | | | |  | | **% of Total** | | | | |
| Credit Card |  | **$** | **4,416** | | |  |  | | **63** | | **%** | |  | | **$** | **734** | | |  |  | | **55** | | **%** | |  | | $ | | 4,489 | |  |  | | 65 | | | % |  | | $ | | 1,040 | |  |  | | 69 | | | % | |
| Consumer Banking |  | **1,847** | | | |  |  | | **27** | |  | |  | | **505** | | | |  |  | | **38** | |  | |  | | 1,791 | | | |  |  | | 26 | | |  |  | | 482 | | | |  |  | | 32 | | |  | |
| Commercial Banking(3)(4) |  | **707** | | | |  |  | | **10** | |  | |  | | **154** | | | |  |  | | **12** | |  | |  | | 702 | | | |  |  | | 10 | | |  |  | | 184 | | | |  |  | | 12 | | |  | |
| Other(3)(4) |  | **(11** | | | | **)** |  | | **—** | |  | |  | | **(64** | | | | **)** |  | | **(5** | | **)** | |  | | (20 | | | | ) |  | | (1 | | | ) |  | | (205 | | | | ) |  | | (13 | | | ) | |
| Total |  | **$** | **6,959** | | |  |  | | **100** | | **%** | |  | | **$** | **1,329** | | |  |  | | **100** | | **%** | |  | | $ | | 6,962 | |  |  | | 100 | | | % |  | | $ | | 1,501 | |  |  | | 100 | | | % | |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | |  |  | | |  | |  | |  | |  | | |  |  | | |  | |  | |  | |  | |  | |  | | |  | |  |  | | |  | |  | |  | | |  | |  |  | |  | |  |  |  |  |
|  | | | |  | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | |  | **2019** | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | **2018** | | | | | | | | | | | | | | | | | | | | | |
|  | | | |  | **Total Net Revenue(1)** | | | | | | | | | | | | |  | | | **Net Income**  **(Loss)(2)** | | | | | | | | | | | | |  | | **Total Net Revenue(1)** | | | | | | | | | | | | |  | **Net Income(2)** | | | | | | | |
| *(Dollars in millions)* | | | |  | **Amount** | | | | | | |  | | **% of Total** | | | |  | | | **Amount** | | | | | |  | | **% of Total** | | | | |  | | **Amount** | | | | | |  | | **% of Total** | | | | |  | **Amount** | | | | |  | **% of Total** | |
| Credit Card | | | |  | **$** | | | **13,525** | |  | |  | | **64** | | | **%** |  | | | **$** | | **2,423** | |  | |  | | **56** | | **%** | | |  | | $ | 13,184 | | |  | |  | | 63 | | | % | |  | $ | | 2,670 | |  |  | 56 | % |
| Consumer Banking | | | |  | **5,561** | | | | |  | |  | | **26** | | |  |  | | | **1,516** | | | |  | |  | | **35** | |  | | |  | | 5,364 | | | |  | |  | | 26 | | |  | |  | 1,447 | | | |  |  | 30 |  |
| Commercial Banking(3)(4) | | | |  | **2,097** | | | | |  | |  | | **10** | | |  |  | | | **457** | | | |  | |  | | **10** | |  | | |  | | 2,121 | | | |  | |  | | 10 | | |  | |  | 634 | | | |  |  | 13 |  |
| Other(3)(4) | | | |  | **(17** | | | | | **)** | |  | | **—** | | |  |  | | | **(41** | | | | **)** | |  | | **(1** | | **)** | | |  | | 394 | | | |  | |  | | 1 | | |  | |  | 10 | | | |  |  | 1 |  |
| Total | | | |  | **$** | | | **21,166** | |  | |  | | **100** | | | **%** |  | | | **$** | | **4,355** | |  | |  | | **100** | | **%** | | |  | | $ | 21,063 | | |  | |  | | 100 | | | % | |  | $ | | 4,761 | |  |  | 100 | % |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 21 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

\_\_\_\_\_\_\_\_\_\_

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

|  |  |
| --- | --- |
|  |  |
| (2) | Net income (loss) for our business segments and the Other category is based on income from continuing operations, net of tax. |

|  |  |
| --- | --- |
|  |  |
| (3) | Some of our commercial investments generate tax-exempt income, tax credits or other tax benefits. Accordingly, we present our Commercial Banking revenue and yields on a taxable-equivalent basis, calculated using the federal statutory tax rate of 21% and state taxes where applicable, with offsetting reductions to the Other category. |

|  |  |
| --- | --- |
|  |  |
| (4) | In the first quarter of 2019, we made a change in how revenue is measured in our Commercial Banking business by revising the allocation of tax benefits on certain tax-advantaged investments. As such, prior period results have been recast to conform with the current period presentation. The result of this measurement change reduced the previously reported total net revenue in our Commercial Banking business by $26 million and $88 million for the third quarter and first nine months of 2018, with an offsetting increase in the Other category. |

**Credit Card Business**

The primary sources of revenue for our Credit Card business are net interest income, net interchange income and fees collected from customers. Expenses primarily consist of the provision for credit losses, operating costs and marketing expenses.

Our Credit Card business generated net income from continuing operations of $734 million and $2.4 billion in the third quarter and first nine months of 2019, respectively, and $1.0 billion and $2.7 billion in the third quarter and first nine months of 2018, respectively.

Table 10 summarizes the financial results of our Credit Card business and displays selected key metrics for the periods indicated.

**Table 10: Credit Card Business Results**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | |
| *(Dollars in millions, except as noted)* |  | **2019** | | |  | **2018** | | |  | **Change** | |  | **2019** | | |  | **2018** | | |  | **Change** | |
| **Selected income statement data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Net interest income |  | **$** | **3,546** |  |  | $ | 3,596 |  |  | (1 | )% |  | **$** | **10,667** |  |  | $ | 10,550 |  |  | 1 | % |
| Non-interest income |  | **870** | |  |  | 893 | |  |  | (3 | ) |  | **2,858** | |  |  | 2,634 | |  |  | 9 |  |
| Total net revenue(1) |  | **4,416** | |  |  | 4,489 | |  |  | (2 | ) |  | **13,525** | |  |  | 13,184 | |  |  | 3 |  |
| Provision for credit losses |  | **1,087** | |  |  | 1,031 | |  |  | 5 |  |  | **3,571** | |  |  | 3,658 | |  |  | (2 | ) |
| Non-interest expense |  | **2,360** | |  |  | 2,103 | |  |  | 12 |  |  | **6,784** | |  |  | 6,046 | |  |  | 12 |  |
| Income from continuing operations before income taxes |  | **969** | |  |  | 1,355 | |  |  | (28 | ) |  | **3,170** | |  |  | 3,480 | |  |  | (9 | ) |
| Income tax provision |  | **235** | |  |  | 315 | |  |  | (25 | ) |  | **747** | |  |  | 810 | |  |  | (8 | ) |
| Income from continuing operations, net of tax |  | **$** | **734** |  |  | $ | 1,040 |  |  | (29 | ) |  | **$** | **2,423** |  |  | $ | 2,670 |  |  | (9 | ) |
| **Selected performance metrics:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Average loans held for investment(2) |  | **$** | **112,371** |  |  | $ | 109,510 |  |  | 3 |  |  | **$** | **111,545** |  |  | $ | 108,968 |  |  | 2 |  |
| Average yield on loans held for investment(3) |  | **15.55** | | **%** |  | 15.79 | | % |  | (24 | )bps |  | **15.66** | | **%** |  | 15.37 | | % |  | 29 | bps |
| Total net revenue margin(4) |  | **15.72** | |  |  | 16.40 | |  |  | (68 | ) |  | **16.17** | |  |  | 16.13 | |  |  | 4 |  |
| Net charge-offs |  | **$** | **1,151** |  |  | $ | 1,137 |  |  | 1 | % |  | **$** | **3,835** |  |  | $ | 3,774 |  |  | 2 | % |
| Net charge-off rate |  | **4.09** | | **%** |  | 4.15 | | % |  | (6 | )bps |  | **4.58** | | **%** |  | 4.62 | | % |  | (4 | )bps |
| Purchase volume(5) |  | **$** | **108,034** |  |  | $ | 97,469 |  |  | 11 | % |  | **$** | **308,134** |  |  | $ | 281,406 |  |  | 9 | % |
|  |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| *(Dollars in millions, except as noted)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |  | **Change** | |  |  | | |  |  | | |  |  | |
| **Selected period-end data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Loans held for investment(2) |  | **$** | **113,681** |  |  | $ | 116,361 |  |  | (2 | )% |  |  | | |  |  | | |  |  | |
| 30+ day performing delinquency rate |  | **3.69** | | **%** |  | 4.00 | | % |  | (31 | )bps |  |  | | |  |  | | |  |  | |
| 30+ day delinquency rate |  | **3.71** | |  |  | 4.01 | |  |  | (30 | ) |  |  | | |  |  | | |  |  | |
| Nonperforming loan rate(6) |  | **0.02** | |  |  | 0.02 | |  |  | — |  |  |  | | |  |  | | |  |  | |
| Allowance for loan and lease losses |  | **$** | **5,270** |  |  | $ | 5,535 |  |  | (5 | )% |  |  | | |  |  | | |  |  | |
| Allowance coverage ratio |  | **4.64** | | **%** |  | 4.76 | | % |  | (12 | )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. Total net revenue was reduced by $330 million and $1.0 billion in the third quarter and first nine months of 2019, respectively, and by $305 million and $949 million in the third quarter and first nine months of 2018, respectively, for the estimated uncollectible |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 22 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

amount of billed finance charges and fees and related losses. The finance charge and fee reserve totaled $454 million and $468 million as of September 30, 2019 and December 31, 2018, respectively.

|  |  |
| --- | --- |
|  |  |
| (2) | Period-end loans held for investment and average loans held for investment include billed finance charges and fees, net of the estimated uncollectible amount. |

|  |  |
| --- | --- |
|  |  |
| (3) | 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. 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) | Total net revenue margin is calculated by dividing annualized total net revenue for the period by average loans held for investment during the period. Interest income also includes interest income on loans held for sale. |

|  |  |
| --- | --- |
|  |  |
| (5) | Purchase volume consists of purchase transactions, net of returns, for the period, and excludes cash advance and balance transfer transactions. |

|  |  |
| --- | --- |
|  |  |
| (6) | Within our credit card loan portfolio, only certain loans in our international card businesses are classified as nonperforming. See “MD&A—Nonperforming Loans and Other Nonperforming Assets” for additional information. |

Key factors affecting the results of our Credit Card business for the third quarter and first nine months of 2019 compared to the third quarter and first nine months of 2018, and changes in financial condition and credit performance between September 30, 2019 and December 31, 2018 include the following:

|  |  |
| --- | --- |
|  |  |
| *•* | *Net Interest Income:* Net interest income decreased by $50 million to $3.5 billion in the third quarter of 2019 primarily due to the impact of the U.K. PPI Reserve build, partially offset by growth in our domestic credit card loan portfolio. Net interest income increased by $117 million to $10.7 billion in the first nine months of 2019 primarily driven by growth in our domestic credit card loan portfolio, partially offset by the impact of the U.K. PPI Reserve build. |

|  |  |
| --- | --- |
|  |  |
| • | *Non-Interest Income:* Non-interest income decreased by $23 million to $870 million in the third quarter of 2019 primarily due to the impact of the U.K. PPI Reserve build, partially offset by an increase in net interchange fees driven by higher purchase volume. Non-interest income increased by $224 million to $2.9 billion in the first nine months of 2019 primarily due to an increase in net interchange fees driven by higher purchase volume and the updated rewards cost estimates as well as a gain on the sale of certain partnership receivables, partially offset by the impact of the U.K. PPI Reserve build. |

|  |  |
| --- | --- |
|  |  |
| • | *Provision for Credit Losses:* The provision for credit losses increased by $56 million to $1.1 billion in the third quarter of 2019 primarily driven by a smaller allowance release in our domestic credit card loan portfolio. The provision for credit losses decreased by $87 million to $3.6 billion in the first nine months of 2019 primarily driven by the impact of the sale of certain partnership receivables as well as the strong economy and stable underlying credit performance in our domestic credit card loan portfolio. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Non-Interest Expense:* Non-interest expense increased by $257 million to $2.4 billion in the third quarter of 2019 primarily due to expenses related to the Walmart partnership, the impact of the U.K. PPI Reserve build, and continued investments in technology and infrastructure. Non-interest expense increased by $738 million to $6.8 billion in the first nine months of 2019 primarily driven by expenses related to the Walmart partnership, increased marketing expenses, continued investments in technology and infrastructure, and the impact of the U.K. PPI Reserve build. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Loans Held for Investment:* |

|  |  |
| --- | --- |
|  |  |
| ◦ | Period-end loans held for investment decreased by $2.7 billion to $113.7 billion as of September 30, 2019 from December 31, 2018 primarily due to expected seasonal paydowns and the sale of certain partnership receivables, partially offset by growth in our domestic credit card loan portfolio. |

|  |  |
| --- | --- |
|  |  |
| ◦ | Average loans held for investment increased by $2.9 billion to $112.4 billion in the third quarter of 2019 compared to the third quarter of 2018 and increased by $2.6 billion to $111.5 billion in the first nine months of 2019 compared to the first nine months of 2018 primarily due to growth in our domestic credit card loan portfolio. |

|  |  |
| --- | --- |
|  |  |
| • | *Net Charge-Off and Delinquency Metrics:* The net charge-off rate decreased by 6 basis points to 4.09% in the third quarter of 2019 compared to the third quarter of 2018, and decreased by 4 basis points to 4.58% in the first nine months of 2019 compared to the first nine months of 2018, and the 30+ day delinquency rate decreased by 30 basis points to 3.71% as of September 30, 2019 from December 31, 2018 primarily due to the strong economy and stable underlying credit performance in our domestic credit card loan portfolio. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 23 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Domestic Card Business**

The Domestic Card business generated net income from continuing operations of $837 million and $2.4 billion in the third quarter and first nine months of 2019, respectively, compared to net income from continuing operations of $966 million and $2.5 billion in the third quarter and first nine months of 2018, respectively. In the third quarter and first nine months of 2019 and 2018, the Domestic Card business accounted for greater than 90% of total net revenue of our Credit Card business.

Table 10.1 summarizes the financial results for Domestic Card business and displays selected key metrics for the periods indicated.

**Table 10.1: Domestic Card Business Results**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | |
| *(Dollars in millions, except as noted)* |  | **2019** | | |  | **2018** | | |  | **Change** | |  | **2019** | | |  | **2018** | | |  | **Change** | |
| **Selected income statement data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Net interest income |  | **$** | **3,299** |  |  | $ | 3,280 |  |  | 1 | % |  | **$** | **9,792** |  |  | $ | 9,617 |  |  | 2 | % |
| Non-interest income |  | **878** | |  |  | 819 | |  |  | 7 |  |  | **2,722** | |  |  | 2,411 | |  |  | 13 |  |
| Total net revenue(1) |  | **4,177** | |  |  | 4,099 | |  |  | 2 |  |  | **12,514** | |  |  | 12,028 | |  |  | 4 |  |
| Provision for credit losses |  | **1,010** | |  |  | 950 | |  |  | 6 |  |  | **3,325** | |  |  | 3,424 | |  |  | (3 | ) |
| Non-interest expense |  | **2,076** | |  |  | 1,890 | |  |  | 10 |  |  | **6,059** | |  |  | 5,405 | |  |  | 12 |  |
| Income from continuing operations before income taxes |  | **1,091** | |  |  | 1,259 | |  |  | (13 | ) |  | **3,130** | |  |  | 3,199 | |  |  | (2 | ) |
| Income tax provision |  | **254** | |  |  | 293 | |  |  | (13 | ) |  | **729** | |  |  | 745 | |  |  | (2 | ) |
| Income from continuing operations, net of tax |  | **$** | **837** |  |  | $ | 966 |  |  | (13 | ) |  | **$** | **2,401** |  |  | $ | 2,454 |  |  | (2 | ) |
| **Selected performance metrics:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Average loans held for investment(2) |  | **$** | **103,426** |  |  | $ | 100,566 |  |  | 3 |  |  | **$** | **102,677** |  |  | $ | 99,970 |  |  | 3 |  |
| Average yield on loans held for investment(3) |  | **15.74** | | **%** |  | 15.73 | | % |  | 1 | bps |  | **15.67** | | **%** |  | 15.29 | | % |  | 38 | bps |
| Total net revenue margin(4) |  | **16.15** | |  |  | 16.30 | |  |  | (15 | ) |  | **16.25** | |  |  | 16.04 | |  |  | 21 |  |
| Net charge-offs |  | **$** | **1,065** |  |  | $ | 1,094 |  |  | (3 | )% |  | **$** | **3,599** |  |  | $ | 3,581 |  |  | 1 | % |
| Net charge-off rate |  | **4.12** | | **%** |  | 4.35 | | % |  | (23 | )bps |  | **4.67** | | **%** |  | 4.78 | | % |  | (11 | )bps |
| Purchase volume(5) |  | **$** | **99,087** |  |  | $ | 89,205 |  |  | 11 | % |  | **$** | **282,878** |  |  | $ | 257,340 |  |  | 10 | % |
|  |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| *(Dollars in millions, except as noted)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |  | **Change** | |  |  | | |  |  | | |  |  | |
| **Selected period-end data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Loans held for investment(2) |  | **$** | **104,664** |  |  | $ | 107,350 |  |  | (3 | )% |  |  | | |  |  | | |  |  | |
| 30+ day delinquency rate |  | **3.71** | | **%** |  | 4.04 | | % |  | (33 | )bps |  |  | | |  |  | | |  |  | |
| Allowance for loan and lease losses |  | **$** | **4,870** |  |  | $ | 5,144 |  |  | (5 | ) |  |  | | |  |  | | |  |  | |
| Allowance coverage ratio |  | **4.65** | | **%** |  | 4.79 | | % |  | (14 | )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 billed finance charges and fees, net of the estimated uncollectible amount. |

|  |  |
| --- | --- |
|  |  |
| (3) | 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. 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) | Total net revenue margin is calculated by dividing annualized total net revenue for the period by average loans held for investment during the period. |

|  |  |
| --- | --- |
|  |  |
| (5) | Purchase volume consists of purchase transactions, net of returns, for the period, and excludes cash advance and balance transfer transactions. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 24 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Because our Domestic Card business accounts for the substantial majority of our Credit Card business, the key factors driving the results are similar to the key factors affecting our total Credit Card business. Net income for our Domestic Card business decreased in the third quarter of 2019 compared to the third quarter of 2018 primarily driven by:

|  |  |
| --- | --- |
|  |  |
| • | expenses related to the Walmart partnership and continued investments in technology and infrastructure; and |

|  |  |
| --- | --- |
|  |  |
| • | higher provision for credit losses due to a smaller allowance release. |

These drivers were partially offset by:

|  |  |
| --- | --- |
|  |  |
| • | an increase in net interchange fees driven by higher purchase volume; and |

|  |  |
| --- | --- |
|  |  |
| • | higher net interest income primarily driven by growth in our loan portfolio. |

Net income for our Domestic Card business decreased in the first nine months of 2019 compared to the first nine months of 2018 primarily driven by expenses related to the Walmart partnership, continued investments in technology and infrastructure, and increased marketing expenses. These drivers were partially offset by:

|  |  |
| --- | --- |
|  |  |
| • | an increase in net interchange fees driven by higher purchase volume and the updated rewards cost estimates as well as a gain on the sale of certain partnership receivables; and |

|  |  |
| --- | --- |
|  |  |
| • | higher net interest income primarily driven by growth in our loan portfolio. |

**Consumer Banking Business**

The primary sources of revenue for our Consumer Banking business are net interest income from loans and deposits, net interchange income and non-interest income from service charges and customer-related fees. Expenses primarily consist of the provision for credit losses, operating costs and marketing expenses.

Our Consumer Banking business generated net income from continuing operations of $505 million and $1.5 billion in the third quarter and first nine months of 2019, respectively, and $482 million and $1.4 billion in the third quarter and first nine months of 2018, respectively.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 25 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 11 summarizes the financial results of our Consumer Banking business and displays selected key metrics for the periods indicated.

**Table 11: Consumer Banking Business Results**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | |
| *(Dollars in millions, except as noted)* |  | **2019** | | |  | **2018** | | |  | **Change** | |  | **2019** | | |  | **2018** | | |  | **Change** | |
| **Selected income statement data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Net interest income |  | **$** | **1,682** |  |  | $ | 1,636 |  |  | 3 | % |  | **$** | **5,070** |  |  | $ | 4,860 |  |  | 4 | % |
| Non-interest income |  | **165** | |  |  | 155 | |  |  | 6 |  |  | **491** | |  |  | 504 | |  |  | (3 | ) |
| Total net revenue |  | **1,847** | |  |  | 1,791 | |  |  | 3 |  |  | **5,561** | |  |  | 5,364 | |  |  | 4 |  |
| Provision for credit losses |  | **203** | |  |  | 184 | |  |  | 10 |  |  | **603** | |  |  | 535 | |  |  | 13 |  |
| Non-interest expense |  | **985** | |  |  | 979 | |  |  | 1 |  |  | **2,981** | |  |  | 2,942 | |  |  | 1 |  |
| Income from continuing operations before income taxes |  | **659** | |  |  | 628 | |  |  | 5 |  |  | **1,977** | |  |  | 1,887 | |  |  | 5 |  |
| Income tax provision |  | **154** | |  |  | 146 | |  |  | 5 |  |  | **461** | |  |  | 440 | |  |  | 5 |  |
| Income from continuing operations, net of tax |  | **$** | **505** |  |  | $ | 482 |  |  | 5 |  |  | **$** | **1,516** |  |  | $ | 1,447 |  |  | 5 |  |
| **Selected performance metrics:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Average loans held for investment: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Auto |  | **$** | **58,517** |  |  | $ | 56,297 |  |  | 4 |  |  | **$** | **57,282** |  |  | $ | 55,320 |  |  | 4 |  |
| Home loan(1) |  | **—** | |  |  | — | |  |  | **\*\*** |  |  | **—** | |  |  | 8,377 | |  |  | \*\* |  |
| Retail banking |  | **2,752** | |  |  | 2,923 | |  |  | (6 | ) |  | **2,790** | |  |  | 3,144 | |  |  | (11 | ) |
| Total consumer banking |  | **$** | **61,269** |  |  | $ | 59,220 |  |  | 3 |  |  | **$** | **60,072** |  |  | $ | 66,841 |  |  | (10 | ) |
| Average yield on loans held for investment(2) |  | **8.47** | | **%** |  | 8.03 | | % |  | 44 | bps |  | **8.33** | | **%** |  | 7.36 | | % |  | 97 | bps |
| Average deposits |  | **$** | **204,933** |  |  | $ | 194,687 |  |  | 5 | % |  | **$** | **203,404** |  |  | $ | 191,942 |  |  | 6 | % |
| Average deposits interest rate |  | **1.31** | | **%** |  | 1.00 | | % |  | 31 | bps |  | **1.25** | | **%** |  | 0.89 | | % |  | 36 | bps |
| Net charge-offs |  | **$** | **251** |  |  | $ | 262 |  |  | (4 | )% |  | **$** | **644** |  |  | $ | 683 |  |  | (6 | )% |
| Net charge-off rate |  | **1.64** | | **%** |  | 1.77 | | % |  | (13 | )bps |  | **1.43** | | **%** |  | 1.36 | | % |  | 7 | bps |
| Auto loan originations |  | **$** | **8,175** |  |  | $ | 6,643 |  |  | 23 | % |  | **$** | **21,723** |  |  | $ | 20,345 |  |  | 7 | % |
|  |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| *(Dollars in millions, except as noted)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |  | **Change** | |  |  | | |  |  | | |  |  | |
| **Selected period-end data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Loans held for investment: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Auto |  | **$** | **59,278** |  |  | $ | 56,341 |  |  | 5 | % |  |  | | |  |  | | |  |  | |
| Retail banking |  | **2,737** | |  |  | 2,864 | |  |  | (4 | ) |  |  | | |  |  | | |  |  | |
| Total consumer banking |  | **$** | **62,015** |  |  | $ | 59,205 |  |  | 5 |  |  |  | | |  |  | | |  |  | |
| 30+ day performing delinquency rate |  | **6.23** | | **%** |  | 6.67 | | % |  | (44 | )bps |  |  | | |  |  | | |  |  | |
| 30+ day delinquency rate |  | **6.86** | |  |  | 7.36 | |  |  | (50 | ) |  |  | | |  |  | | |  |  | |
| Nonperforming loan rate |  | **0.74** | |  |  | 0.81 | |  |  | (7 | ) |  |  | | |  |  | | |  |  | |
| Nonperforming asset rate(3) |  | **0.83** | |  |  | 0.90 | |  |  | (7 | ) |  |  | | |  |  | | |  |  | |
| Allowance for loan and lease losses |  | **$** | **1,007** |  |  | $ | 1,048 |  |  | (4 | )% |  |  | | |  |  | | |  |  | |
| Allowance coverage ratio |  | **1.62** | | **%** |  | 1.77 | | % |  | (15 | )bps |  |  | | |  |  | | |  |  | |
| Deposits |  | **$** | **206,423** |  |  | $ | 198,607 |  |  | 4 | % |  |  | | |  |  | | |  |  | |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | In 2018, we sold all of our consumer home loan portfolio and the related servicing. The impact of this sale is reflected in the Other category. |

|  |  |
| --- | --- |
|  |  |
| (2) | 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. 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) | Nonperforming assets primarily consist of nonperforming loans and repossessed assets. The total nonperforming asset rate is calculated based on total nonperforming assets divided by the combined period-end total loans held for investment and repossessed assets. |

|  |  |
| --- | --- |
|  |  |
| \*\* | Not meaningful. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 26 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Key factors affecting the results of our Consumer Banking business for the third quarter and first nine months of 2019 compared to the third quarter and first nine months of 2018, and changes in financial condition and credit performance between September 30, 2019 and December 31, 2018 include the following:

|  |  |
| --- | --- |
|  |  |
| • | *Net Interest Income:*Net interest income increased by $46 million to $1.7 billion in the third quarter of 2019 primarily driven by growth and higher yields in our auto loan portfolio, partially offset by the reduction in net interest income from the sale of our consumer home loan portfolio. Net interest income increased by $210 million to $5.1 billion in the first nine months of 2019 primarily driven by growth and higher yields in our auto loan portfolio as well as higher margin and deposit volumes in our Retail Banking business, partially offset by the reduction in net interest income from the sale of our consumer home loan portfolio. |

Consumer Banking loan yields increased by 44 basis points to 8.47% and increased by 97 basis points to 8.33% in the third quarter and first nine months of 2019, respectively, compared to the third quarter and first nine months of 2018. The increase was primarily driven by changes in product mix due to the sale of our consumer home loan portfolio and higher yields as a result of higher interest rates.

|  |  |
| --- | --- |
|  |  |
| • | *Non-Interest Income:* Non-interest income remained substantially flat at $165 million in the third quarter of 2019 and $491 million in the first nine months of 2019. |

|  |  |
| --- | --- |
|  |  |
| • | *Provision for Credit Losses:* The provision for credit losses increased by $19 million to $203 million in the third quarter of 2019 and increased by $68 million to $603 million in the first nine months of 2019 primarily driven by a smaller allowance release in our auto loan portfolio. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Non-Interest Expense:* Non-interest expense remained substantially flat at $1.0 billion in the third quarter of 2019 and $3.0 billion in the first nine months of 2019, as higher operating expenses due to growth in our auto loan portfolio and increased marketing expense associated with our national banking strategy were largely offset by lower operating expense due to the sale of our consumer home loan portfolio. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Loans Held for Investment:* Period-end loans held for investment increased by $2.8 billion to $62.0 billion as of September 30, 2019 compared to December 31, 2018 and average loans held for investment increased by $2.0 billion to $61.3 billion in the third quarter of 2019 compared to the third quarter of 2018 due to growth in our auto loan portfolio. Average loans held for investment decreased by $6.8 billion to $60.1 billion in the first nine months of 2019 compared to the first nine months of 2018 primarily driven by the sale of our consumer home loan portfolio, partially offset by growth in our auto loan portfolio. |

|  |  |
| --- | --- |
|  |  |
| • | *Deposits:* Period-end deposits increased by $7.8 billion to $206.4 billion as of September 30, 2019 from December 31, 2018 driven by strong growth in our deposit products as a result of our national banking strategy. |

|  |  |
| --- | --- |
|  |  |
| • | *Net Charge-Off and Delinquency Metrics:* The net charge-off rate decreased by 13 basis points to 1.64% in the third quarter of 2019 compared to the third quarter of 2018 primarily driven by lower net charge-offs and growth in our auto loan portfolio. |

The net charge-off rate increased by 7 basis points to 1.43% in the first nine months of 2019 compared to the first nine months of 2018 primarily driven by lower loan balances due to the sale of our consumer home loan portfolio, partially offset by lower net charge-offs and growth in our auto loan portfolio.

The 30+ day delinquency rate decreased by 50 basis points to 6.86% as of September 30, 2019 from December 31, 2018 primarily attributable to growth in our auto loan portfolio and seasonally lower auto delinquency inventories.

**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 products and services. Because our Commercial Banking business has loans and investments that generate tax-exempt income, tax credits or other tax benefits, we present the revenues on a taxable-equivalent basis. Expenses primarily consist of the provision for credit losses, operating costs and marketing expenses.

Our Commercial Banking business generated net income from continuing operations of $154 million and $457 million in the third quarter and first nine months of 2019, respectively, and $184 million and $634 million in the the third quarter and first nine months of 2018, respectively.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 27 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 12 summarizes the financial results of our Commercial Banking business and displays selected key metrics for the periods indicated.

**Table 12: Commercial Banking Business Results**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | |
| *(Dollars in millions, except as noted)* |  | **2019** | | |  | **2018** | | |  | **Change** | |  | **2019** | | |  | **2018** | | |  | **Change** | |
| **Selected income statement data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Net interest income |  | **$** | **486** |  |  | $ | 513 |  |  | (5 | )% |  | **$** | **1,489** |  |  | $ | 1,536 |  |  | (3 | )% |
| Non-interest income |  | **221** | |  |  | 189 | |  |  | 17 |  |  | **608** | |  |  | 585 | |  |  | 4 |  |
| Total net revenue(1)(2) |  | **707** | |  |  | 702 | |  |  | 1 |  |  | **2,097** | |  |  | 2,121 | |  |  | (1 | ) |
| Provision for credit losses(3) |  | **93** | |  |  | 54 | |  |  | 72 |  |  | **244** | |  |  | 74 | |  |  | 230 |  |
| Non-interest expense |  | **414** | |  |  | 408 | |  |  | 1 |  |  | **1,258** | |  |  | 1,220 | |  |  | 3 |  |
| Income from continuing operations before income taxes |  | **200** | |  |  | 240 | |  |  | (17 | ) |  | **595** | |  |  | 827 | |  |  | (28 | ) |
| Income tax provision |  | **46** | |  |  | 56 | |  |  | (18 | ) |  | **138** | |  |  | 193 | |  |  | (28 | ) |
| Income from continuing operations, net of tax |  | **$** | **154** |  |  | $ | 184 |  |  | (16 | ) |  | **$** | **457** |  |  | $ | 634 |  |  | (28 | ) |
| **Selected performance metrics:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Average loans held for investment: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Commercial and multifamily real estate |  | **$** | **29,698** |  |  | $ | 28,354 |  |  | 5 |  |  | **$** | **29,418** |  |  | $ | 27,406 |  |  | 7 |  |
| Commercial and industrial |  | **42,807** | |  |  | 39,318 | |  |  | 9 |  |  | **42,474** | |  |  | 38,754 | |  |  | 10 |  |
| Total commercial lending |  | **72,505** | |  |  | 67,672 | |  |  | 7 |  |  | **71,892** | |  |  | 66,160 | |  |  | 9 |  |
| Small-ticket commercial real estate |  | **2** | |  |  | 364 | |  |  | (99 | ) |  | **93** | |  |  | 378 | |  |  | (75 | ) |
| Total commercial banking |  | **$** | **72,507** |  |  | $ | 68,036 |  |  | 7 |  |  | **$** | **71,985** |  |  | $ | 66,538 |  |  | 8 |  |
| Average yield on loans held for investment(1)(4) |  | **4.45** | | **%** |  | 4.55 | | % |  | (10 | )bps |  | **4.61** | | **%** |  | 4.38 | | % |  | 23 | bps |
| Average deposits |  | **$** | **30,693** |  |  | $ | 31,061 |  |  | (1 | )% |  | **$** | **30,957** |  |  | $ | 32,679 |  |  | (5 | )% |
| Average deposits interest rate |  | **1.25** | | **%** |  | 0.79 | | % |  | 46 | bps |  | **1.21** | | **%** |  | 0.65 | | % |  | 56 | bps |
| Net charge-offs |  | **$** | **60** |  |  | $ | 27 |  |  | 122 | % |  | **$** | **90** |  |  | $ | 39 |  |  | 131 | % |
| Net charge-off rate |  | **0.33** | | **%** |  | 0.16 | | % |  | 17 | bps |  | **0.17** | | **%** |  | 0.08 | | % |  | 9 | bps |
|  |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| *(Dollars in millions, except as noted)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |  | **Change** | |  |  | | |  |  | | |  |  | |
| **Selected period-end data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Loans held for investment: |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Commercial and multifamily real estate |  | **$** | **30,009** |  |  | $ | 28,899 |  |  | 4 | % |  |  | | |  |  | | |  |  | |
| Commercial and industrial |  | **43,650** | |  |  | 41,091 | |  |  | 6 |  |  |  | | |  |  | | |  |  | |
| Total commercial lending |  | **73,659** | |  |  | 69,990 | |  |  | 5 |  |  |  | | |  |  | | |  |  | |
| Small-ticket commercial real estate |  | **—** | |  |  | 343 | |  |  | \*\* |  |  |  | | |  |  | | |  |  | |
| Total commercial banking |  | **$** | **73,659** |  |  | $ | 70,333 |  |  | 5 |  |  |  | | |  |  | | |  |  | |
| Nonperforming loan rate |  | **0.61** | | **%** |  | 0.44 | | % |  | 17 | bps |  |  | | |  |  | | |  |  | |
| Nonperforming asset rate(5) |  | **0.61** | |  |  | 0.45 | |  |  | 16 |  |  |  | | |  |  | | |  |  | |
| Allowance for loan and lease losses(3) |  | **$** | **760** |  |  | $ | 637 |  |  | 19 | % |  |  | | |  |  | | |  |  | |
| Allowance coverage ratio |  | **1.03** | | **%** |  | 0.91 | | % |  | 12 | bps |  |  | | |  |  | | |  |  | |
| Deposits |  | **$** | **30,923** |  |  | $ | 29,480 |  |  | 5 | % |  |  | | |  |  | | |  |  | |
| Loans serviced for others |  | **36,903** | |  |  | 32,588 | |  |  | 13 |  |  |  | | |  |  | | |  |  | |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Some of our commercial investments generate tax-exempt income, tax credits or other tax benefits. Accordingly, we present our Commercial Banking revenue and yields on a taxable-equivalent basis, calculated using the federal statutory tax rate of 21% and state taxes where applicable, with offsetting reductions to the Other category. |

|  |  |
| --- | --- |
|  |  |
| (2) | In the first quarter of 2019, we made a change in how revenue is measured in our Commercial Banking business by revising the allocation of tax benefits on certain tax-advantaged investments. As such, prior period results have been recast to conform with the current period presentation. The result of this measurement change reduced the previously reported total net revenue in our Commercial Banking business by $26 million and $88 million for the third quarter and first nine months of 2018, with an offsetting increase in the Other category. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 28 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |
| --- | --- |
|  |  |
| (3) | The provision for losses on 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. Our reserve for unfunded lending commitments totaled $149 million and $118 million as of September 30, 2019 and December 31, 2018, respectively. |

|  |  |
| --- | --- |
|  |  |
| (4) | 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. 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. |

|  |  |
| --- | --- |
|  |  |
| (5) | Nonperforming assets consist of nonperforming loans and other foreclosed assets. The total nonperforming asset rate is calculated based on total nonperforming assets divided by the combined period-end total loans held for investment and other foreclosed assets. |

|  |  |
| --- | --- |
|  |  |
| \*\* | Not meaningful. |

Key factors affecting the results of our Commercial Banking business for the third quarter and first nine months of 2019 compared to the third quarter and first nine months of 2018, and changes in financial condition and credit performance between September 30, 2019 and December 31, 2018 include the following:

|  |  |
| --- | --- |
|  |  |
| • | *Net Interest Income:* Net interest income decreased by $27 million to $486 million in the third quarter of 2019 and decreased by $47 million to $1.5 billion in the first nine months of 2019 primarily driven by lower margin on loans and deposits, partially offset by growth across our commercial loan portfolios. |

|  |  |
| --- | --- |
|  |  |
| • | *Non-Interest Income:* Non-interest income increased by $32 million to $221 million in the third quarter of 2019 and increased by $23 million to $608 million in the first nine months of 2019 primarily driven by higher revenue from our capital markets and treasury management products. |

|  |  |
| --- | --- |
|  |  |
| • | *Provision for Credit Losses:* Provision for credit losses increased by $39 million to $93 million in the third quarter of 2019 and increased by $170 million to $244 million in the first nine months of 2019 primarily driven by charge-offs on certain underperforming energy borrowers in our commercial loan portfolio. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Non-Interest Expense:* Non-interest expense remained substantially flat at $414 million in the third quarter of 2019. Non-interest expense increased by $38 million to $1.3 billion in the first nine months of 2019 primarily driven by higher operating expenses associated with continued investments in technology and other business initiatives. |

|  |  |
| --- | --- |
|  |  |
| • | *Loans Held for Investment:* Period-end loans held for investment increased by $3.3 billion to $73.7 billion as of September 30, 2019 from December 31, 2018, and average loans held for investment increased by $4.5 billion to $72.5 billion in the third quarter of 2019 compared to the third quarter of 2018 and increased by $5.4 billion to $72.0 billion in the first nine months of 2019 compared to the first nine months of 2018 primarily driven by growth across our commercial loan portfolios. |

|  |  |
| --- | --- |
|  |  |
| • | *Deposits:* Period-end deposits increased by $1.4 billion to $30.9 billion as of September 30, 2019, from December 31, 2018 primarily driven by new business growth. |

|  |  |
| --- | --- |
|  |  |
| • | *Net Charge-Off and Nonperforming Metrics:* The net charge-off rate increased by 17 basis points to 0.33% in the third quarter of 2019 and increased by 9 basis points to 0.17% in the first nine months of 2019 primarily driven by charge-offs on certain underperforming energy borrowers in our commercial loan portfolio. |

The nonperforming loan rate increased by 17 basis points to 0.61% as of September 30, 2019 from December 31, 2018 primarily driven by downgrades in our commercial energy loan portfolio.

**Other Category**

Other includes unallocated amounts related to our centralized Corporate Treasury group activities, such as management of our corporate investment portfolio, asset/liability management and certain capital management activities. Other also includes:

|  |  |
| --- | --- |
|  |  |
| • | unallocated corporate revenue and 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 restructuring charges; |

|  |  |
| --- | --- |
|  |  |
| • | offsets related to certain line-item reclassifications; |

|  |  |
| --- | --- |
|  |  |
| • | residual tax expense or benefit to arrive at the consolidated effective tax rate that is not assessed to our primary business segments; and |

|  |  |
| --- | --- |
|  |  |
| • | foreign exchange-rate fluctuations on foreign currency-denominated balances. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 29 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 13 summarizes the financial results of our Other category for the periods indicated.

**Table 13: Other Category Results**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **Change** | |  | **2019** | | |  | **2018** | | |  | **Change** | |
| **Selected income statement data:** |  |  | | |  |  | | |  |  | |  |  | | |  |  | | |  |  | |
| Net interest income |  | **$** | **23** |  |  | $ | 41 |  |  | (44 | )% |  | **$** | **48** |  |  | $ | 109 |  |  | (56 | )% |
| Non-interest income (loss) |  | **(34** | | **)** |  | (61 | | ) |  | (44 | ) |  | **(65** | | **)** |  | 285 | |  |  | \*\* |  |
| Total net revenue (loss)(1)(2) |  | **(11** | | **)** |  | (20 | | ) |  | (45 | ) |  | **(17** | | **)** |  | 394 | |  |  | \*\* |  |
| Benefit for credit losses |  | **—** | |  |  | (1 | | ) |  | **\*\*** |  |  | **—** | |  |  | (49 | | ) |  | \*\* |  |
| Non-interest expense(3) |  | **113** | |  |  | 283 | |  |  | (60 | ) |  | **299** | |  |  | 562 | |  |  | (47 | ) |
| Loss from continuing operations before income taxes |  | **(124** | | **)** |  | (302 | | ) |  | (59 | ) |  | **(316** | | **)** |  | (119 | | ) |  | 166 |  |
| Income tax benefit |  | **(60** | | **)** |  | (97 | | ) |  | (38 | ) |  | **(275** | | **)** |  | (129 | | ) |  | 113 |  |
| Income (loss) from continuing operations, net of tax |  | **$** | **(64** | **)** |  | $ | (205 | ) |  | (69 | ) |  | **$** | **(41** | **)** |  | $ | 10 |  |  | \*\* |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Some of our commercial investments generate tax-exempt income, tax credits or other tax benefits. Accordingly, we present our Commercial Banking revenue and yields on a taxable-equivalent basis, calculated using the federal statutory tax rate of 21% and state taxes where applicable, with offsetting reductions to the Other category. |

|  |  |
| --- | --- |
|  |  |
| (2) | In the first quarter of 2019, we made a change in how revenue is measured in our Commercial Banking business by revising the allocation of tax benefits on certain tax-advantaged investments. As such, prior period results have been recast to conform with the current period presentation. The result of this measurement change reduced the previously reported total net revenue in our Commercial Banking business by $26 million and $88 million for the third quarter and first nine months of 2018, respectively, with an offsetting increase in the Other category. |

|  |  |
| --- | --- |
|  |  |
| (3) | Includes $22 million of net Cybersecurity Incident expenses in the third quarter of 2019, consisting of $49 million of expenses and $27 million of probable insurance recoveries. |

|  |  |
| --- | --- |
|  |  |
| \*\* | Not meaningful. |

Net loss from continuing operations recorded in the Other category was $64 million in the third quarter of 2019 compared to $205 million in the third quarter of 2018, and net loss of $41 million in the first nine months of 2019 compared to net income of $10 million in the first nine months of 2018, primarily driven by the absence of the significant activities that occurred in the third quarter and first nine months of 2018, including the gains from the sales of our consumer home loan portfolio, the impairment charge as a result of repositioning our investment securities portfolio, and the legal reserve build.

|  |
| --- |
|  |
|  |
| **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 2018 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 |

|  |  |
| --- | --- |
|  |  |
| • | Customer rewards reserve |

We evaluate our critical accounting estimates and judgments on an ongoing basis and update them as necessary, based on changing conditions. There have been no changes to our critical accounting policies and estimates described in our 2018 Form 10-K under “MD&A[—](#sF7741E14E80B56B0AAE963C51788F26A)Critical Accounting Policies and Estimates.”

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 30 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |
| --- |
|  |
|  |
| **ACCOUNTING CHANGES AND DEVELOPMENTS** |

**Accounting Standards Issued but Not Adopted as of September 30, 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
| **Standard** |  | **Guidance** |  | **Adoption Timing and Financial Statements Impacts** |
| **Cloud Computing**  ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*  *Issued August 2018* |  | Aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). |  | Effective January 1, 2020, with early adoption permitted, using either the retrospective or prospective method of adoption.  We plan to adopt the standard on its effective date using the prospective method of adoption. We do not expect such adoption to have a material impact on our consolidated financial statements. |
|  |  |  |  |  |
| **Goodwill Impairment Test Simplification**  ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): *Simplifying the Test for Goodwill Impairment*  *Issued January 2017* |  | Eliminates the second step from the current goodwill impairment test.  Under the current guidance, the first step compares a reporting unit’s carrying value to its fair value. If the carrying value exceeds fair value, an entity performs the second step, which assigns the reporting unit’s fair value to its assets and liabilities, including unrecognized assets and liabilities, in the same manner as required in purchase accounting.  Under the new guidance, any impairment of a reporting unit’s goodwill is determined based on the amount by which the reporting unit’s carrying value exceeds its fair value, limited to the amount of goodwill allocated to the reporting unit. |  | Effective January 1, 2020, with early adoption permitted, using the prospective method of adoption.  We plan to adopt the standard on its effective date and do not expect such adoption to have a material impact on our consolidated financial statements. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 31 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
| **Standard** |  | **Guidance** |  | **Adoption Timing and Financial Statements Impacts** |
| **Current Expected Credit Loss (“CECL”)**  ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*  *Issued June 2016* |  | Requires use of the current expected credit loss model that is based on expected losses (net of expected recoveries), rather than incurred losses, to determine our allowance for credit losses on financial assets measured at amortized cost, certain net investments in leases and certain off-balance sheet arrangements.  Replaces current accounting for purchased credit-impaired (“PCI”) and impaired loans.  Amends the other-than-temporary impairment model for available for sale debt securities to require that credit losses be recorded through an allowance approach, rather than through permanent write-downs for credit losses and subsequent accretion of positive changes through interest income over time. |  | Effective January 1, 2020, with early adoption permitted no earlier than January 1, 2019, using the modified retrospective method of adoption.  We plan to adopt the standard on its effective date.  We have a company-wide, cross-functional governance structure for our implementation of this standard. We continue to evaluate industry accounting interpretations, data requirements and necessary changes to our credit loss estimation methods, processes, systems and controls. We have made significant progress in accounting policy documentation and model development. We continue to perform model validations, which we expect to complete during 2019. We also continue to perform parallel testing, including multiple tests of our full end-to-end allowance process.  We also continue to assess the potential impact of this standard on our consolidated financial statements, related disclosures and regulatory capital. We currently expect an increase to our reserves for credit losses of approximately 30% to 40%, largely driven by our consumer lending portfolios, due to the requirement to record expected losses over the remaining contractual lives of our financial instruments. This preliminary estimate is subject to refinement as we continue to evaluate our planned methodologies for estimating expected credit losses and complete parallel testing and model validations through the remainder of 2019. The actual impact will depend on the characteristics of our financial instruments, economic conditions, and our economic and loss forecasts at the adoption date. |

We provide additional information on the impact of adopting CECL in “MD&A—Executive Summary and Business Outlook—Business Outlook.”

See “Note 1—Summary of Significant Accounting Policies” for information on the accounting standards we adopted in 2019.

|  |
| --- |
|  |
|  |
| **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, 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**

We are subject to capital adequacy standards adopted by the Board of Governors of the Federal Reserve System (“Federal Reserve”), Office of the Comptroller of the Currency (“OCC”) and Federal Deposit Insurance Corporation (“FDIC”) (collectively, the “Federal Banking Agencies”), including the capital rules that implemented the Basel III capital framework (“Basel III Capital Rule”) developed by the Basel Committee on Banking Supervision (“Basel Committee”). The Basel III Capital Rule includes the “Basel

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 32 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

III Standardized Approach” and the “Basel III Advanced Approaches.” Moreover, the Banks, as insured depository institutions, are subject to Prompt Corrective Action (“PCA”) capital regulations.

We entered parallel run under Basel III Advanced Approaches on January 1, 2015, during which we are required to calculate capital ratios under both the Basel III Standardized Approach and the Basel III Advanced Approaches, though we continue to use the Standardized Approach for purposes of meeting regulatory capital requirements. Under the Basel III Capital Rule, were we to complete our parallel run for the Advanced Approaches, our minimum risk-based capital requirement would be determined by the greater of our risk-weighted assets under the Basel III Standardized Approach and the Basel III Advanced Approaches.

In October 2019, the Federal Banking Agencies released final rules that provide for tailored application of certain capital, liquidity, and stress testing requirements across different categories of banking institutions (“Tailoring Final Rules”). These categories are determined by an institution’s asset size, with adjustments to a more stringent category possible if the institution meets certain other thresholds. As a bank holding company (“BHC”) with total consolidated assets of at least $250 billion that does not exceed any of the applicable risk-based thresholds, we will be a Category III institution under the Tailoring Final Rules. As such, beginning on the effective date of the Tailoring Final Rules (“Effective Date”), we will no longer be subject to the Basel III Advanced Approaches and certain associated capital requirements, although we will remain subject to the countercyclical capital buffer and supplementary leverage ratio, which are currently required only for Basel III Advanced Approaches institutions. We anticipate that we will not complete parallel run before that Effective Date.

Because we will not be subject to the Basel III Advanced Approaches under the Tailoring Final Rules, on the Effective Date we will become subject to the changes to the Basel III Capital Rule finalized in July 2019 (“Capital Simplification Rule”), as described in our Quarterly Report on Form 10-Q for the period ended June 30, 2019 under “MD&A—Supervision and Regulation”. These changes generally raise the threshold above which institutions subject to the Capital Simplification Rule must deduct certain assets from their common equity Tier 1 capital, including certain deferred tax assets, mortgage servicing assets, and investments in unconsolidated financial institutions. While the higher thresholds will not impact our current capital levels, in stress scenarios they may provide a benefit by enabling us to include more deferred tax assets in our common equity Tier 1 capital. We anticipate that the Tailoring Final Rules and Capital Simplification Rule will, taken together, decrease our capital requirements.

The Basel III Capital Rule also introduced the supplementary leverage ratio for all Advanced Approaches banking organizations with a minimum requirement of 3.0%. The supplementary leverage ratio compares Tier 1 capital to total leverage exposure, which includes all on-balance sheet assets and certain off-balance sheet exposures, including derivatives and unused commitments. We calculate the ratio based on Tier 1 capital under the Basel III Standardized approach.

The Market Risk Rule supplements both the Basel III Standardized Approach and the Basel III Advanced Approaches by requiring institutions subject to the Market Risk Rule to adjust their risk-based capital ratios to reflect the market risk in their trading portfolios. As of September 30, 2019, the Company and CONA are subject to the Market Risk Rule. See “MD&A—Market Risk Profile” below for additional information.

For the description of the regulatory capital rules we are subject to, see “Part I—Item 1. Business—Supervision and Regulation” in our 2018 Form 10-K and “MD&A—Supervision and Regulation”.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 33 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 14 provides a comparison of our regulatory capital ratios under the Basel III Standardized Approach, the regulatory minimum capital adequacy ratios and the PCA well-capitalized level for each ratio, where applicable, as of September 30, 2019 and December 31, 2018.

**Table 14: Capital Ratios under Basel III(1)(2)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | |  | **December 31, 2018** | | | | | | | |
|  |  | **Capital Ratio** | |  | **Minimum Capital Adequacy** | |  | **Well- Capitalized** | |  | **Capital Ratio** | |  | **Minimum Capital Adequacy** | |  | **Well- Capitalized** | |
| **Capital One Financial Corp:** |  |  | |  |  | |  |  | |  |  | |  |  | |  |  | |
| Common equity Tier 1 capital(3) |  | **12.5** | **%** |  | **4.5** | **%** |  | **N/A** |  |  | 11.2 | % |  | 4.5 | % |  | N/A |  |
| Tier 1 capital(4) |  | **14.4** |  |  | **6.0** |  |  | **6.0** | **%** |  | 12.7 |  |  | 6.0 |  |  | 6.0 | % |
| Total capital(5) |  | **16.8** |  |  | **8.0** |  |  | **10.0** |  |  | 15.1 |  |  | 8.0 |  |  | 10.0 |  |
| Tier 1 leverage(6) |  | **11.9** |  |  | **4.0** |  |  | **N/A** |  |  | 10.7 |  |  | 4.0 |  |  | N/A |  |
| Supplementary leverage(7) |  | **10.1** |  |  | **3.0** |  |  | **N/A** |  |  | 9.0 |  |  | 3.0 |  |  | N/A |  |
| **COBNA:** |  |  |  |  |  | |  |  | |  |  | |  |  | |  |  | |
| Common equity Tier 1 capital(3) |  | **15.8** |  |  | **4.5** |  |  | **6.5** |  |  | 15.3 |  |  | 4.5 |  |  | 6.5 |  |
| Tier 1 capital(4) |  | **15.8** |  |  | **6.0** |  |  | **8.0** |  |  | 15.3 |  |  | 6.0 |  |  | 8.0 |  |
| Total capital(5) |  | **17.8** |  |  | **8.0** |  |  | **10.0** |  |  | 17.6 |  |  | 8.0 |  |  | 10.0 |  |
| Tier 1 leverage(6) |  | **14.2** |  |  | **4.0** |  |  | **5.0** |  |  | 14.0 |  |  | 4.0 |  |  | 5.0 |  |
| Supplementary leverage(7) |  | **11.5** |  |  | **3.0** |  |  | **N/A** |  |  | 11.5 |  |  | 3.0 |  |  | N/A |  |
| **CONA:** |  |  |  |  |  | |  |  | |  |  | |  |  | |  |  | |
| Common equity Tier 1 capital(3) |  | **14.0** |  |  | **4.5** |  |  | **6.5** |  |  | 13.0 |  |  | 4.5 |  |  | 6.5 |  |
| Tier 1 capital(4) |  | **14.0** |  |  | **6.0** |  |  | **8.0** |  |  | 13.0 |  |  | 6.0 |  |  | 8.0 |  |
| Total capital(5) |  | **15.2** |  |  | **8.0** |  |  | **10.0** |  |  | 14.2 |  |  | 8.0 |  |  | 10.0 |  |
| Tier 1 leverage(6) |  | **9.4** |  |  | **4.0** |  |  | **5.0** |  |  | 9.1 |  |  | 4.0 |  |  | 5.0 |  |
| Supplementary leverage(7) |  | **8.4** |  |  | **3.0** |  |  | **N/A** |  |  | 8.0 |  |  | 3.0 |  |  | N/A |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Capital requirements that are not applicable are denoted by “N/A.” |

|  |  |
| --- | --- |
|  |  |
| (2) | Ratios as of September 30, 2019 are preliminary. As we continue to validate our data, the calculations are subject to change until we file our September 30, 2019 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 capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by risk-weighted assets. |

|  |  |
| --- | --- |
|  |  |
| (5) | Total capital ratio is a regulatory capital measure calculated based on total capital divided by risk-weighted assets. |

|  |  |
| --- | --- |
|  |  |
| (6) | Tier 1 leverage ratio is a regulatory capital measure calculated based on Tier 1 capital divided by adjusted average assets. |

|  |  |
| --- | --- |
|  |  |
| (7) | Supplementary leverage ratio is a regulatory capital measure calculated based on Tier 1 capital divided by total leverage exposure. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 34 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 15 presents regulatory capital under the Basel III Standardized Approach and regulatory capital metrics as of September 30, 2019 and December 31, 2018.

**Table 15: Regulatory Risk-Based Capital Components and Regulatory Capital Metrics**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |
| **Regulatory Capital Under Basel III Standardized Approach** |  |  | | |  |  | | |
| Common equity excluding AOCI |  | **$** | **51,959** |  |  | $ | 48,570 |  |
| Adjustments: |  |  | | |  |  | | |
| AOCI(1) |  | **453** | |  |  | (1,263 | | ) |
| Goodwill, net of related deferred tax liabilities |  | **(14,439** | | **)** |  | (14,373 | | ) |
| Intangible assets, net of related deferred tax liabilities |  | **(180** | | **)** |  | (254 | | ) |
| Other |  | **(588** | | **)** |  | 391 | |  |
| Common equity Tier 1 capital |  | **37,205** | |  |  | 33,071 | |  |
| Tier 1 capital instruments |  | **5,823** | |  |  | 4,360 | |  |
| Tier 1 capital |  | **43,028** | |  |  | 37,431 | |  |
| Tier 2 capital instruments |  | **3,378** | |  |  | 3,483 | |  |
| Qualifying allowance for loan and lease losses |  | **3,768** | |  |  | 3,731 | |  |
| Tier 2 capital |  | **7,146** | |  |  | 7,214 | |  |
| Total capital |  | **$** | **50,174** |  |  | $ | 44,645 |  |
|  |  |  | | |  |  | | |
| **Regulatory Capital Metrics** |  |  | | |  |  | | |
| Risk-weighted assets |  | **$** | **298,130** |  |  | $ | 294,950 |  |
| Adjusted average assets |  | **360,266** | |  |  | 350,606 | |  |
| Total leverage exposure |  | **424,648** | |  |  | 414,701 | |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Amounts presented are net of tax. |

The Company exceeded the minimum capital requirements and each of the Banks exceeded the minimum regulatory requirements and were well capitalized under PCA requirements as of both September 30, 2019 and December 31, 2018.

The Basel III Capital Rule requires banks to maintain a capital conservation buffer, composed of common equity Tier 1 capital, of 2.5% above the regulatory minimum ratios. For banks subject to the Advanced Approaches, including the Company and the Banks, the capital conservation buffer may be supplemented by an incremental countercyclical capital buffer of up to 2.5% composed of common equity Tier 1 capital and set at the discretion of the Federal Banking Agencies. As of September 30, 2019, the countercyclical capital buffer was zero percent in the United States. A determination to increase the countercyclical capital buffer generally would be effective twelve months after the announcement of such an increase, unless the Federal Banking Agencies set an earlier effective date.

For 2019, the minimum capital requirement plus capital conservation buffer and countercyclical capital buffer for common equity Tier 1 capital, Tier 1 capital and total capital ratios is 7.0%, 8.5% and 10.5%, respectively, for the Company and the Banks. A common equity Tier 1 capital ratio, Tier 1 capital ratio, or total capital ratio below the applicable regulatory minimum ratio plus the applicable capital conservation buffer and the applicable countercyclical buffer (if set to an amount greater than zero percent) might restrict a bank’s ability to distribute capital and make discretionary bonus payments. As of September 30, 2019, the Company and each of the Banks were all above the applicable combined thresholds.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 35 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Capital Planning and Regulatory Stress Testing**

On June 27, 2019, the Federal Reserve completed its 2019 Comprehensive Capital Analysis and Review (“CCAR”) and did not object to our proposed adjusted capital plan. As a result of this non-objection to our capital plan, the Board of Directors authorized the repurchase of up to $2.2 billion of shares of our common stock beginning in the third quarter of 2019 through the end of the second quarter of 2020. We expect to maintain the quarterly dividend on our common stock of $0.40 per share, subject to the approval of the Board of Directors. For the description of the regulatory capital planning rules we are subject to, see “Part I—Item 1. Business—Supervision and Regulation” in our 2018 Form 10-K.

**Equity Offerings and Transactions**

On September 11, 2019, we issued 60,000,000 depositary shares, each representing a 1/40th interest in a share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series I, $0.01 par value, with a liquidation preference of $25 per depositary share (“Series I Preferred Stock”). The net proceeds of the offering of Series I Preferred Stock were approximately $1.5 billion, after deducting underwriting commissions and offering expenses. Dividends on the Series I Preferred Stock are payable quarterly in arrears at a rate of 5.00% per annum.

On October 21, 2019, we announced that we will redeem all outstanding shares of our Fixed-Rate 6.25% Non-Cumulative Perpetual Preferred Stock Series C and Fixed-Rate 6.70% Non-Cumulative Perpetual Preferred Stock Series D, on December 2, 2019. The redemption will reduce our net income available to common shareholders by approximately $30 million in the fourth quarter of 2019.

**Dividend Policy and Stock Purchases**

In the first nine months of 2019, we declared and paid common stock dividends of $573 million, or $1.20 per share, and preferred stock dividends of $185 million. The following table summarizes the dividends paid per share on our various preferred stock series in the first nine months of 2019.

**Table 16: Preferred Stock Dividends Paid Per Share**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Series** |  | **Description** |  | **Issuance Date** |  | **Per Annum Dividend Rate** |  | **Dividend Frequency** |  | **2019** | | | | |
|  | **Q3** |  | **Q2** |  | **Q1** |
| **Series B** |  | 6.00%  Non-Cumulative |  | August 20, 2012 |  | 6.00% |  | Quarterly |  | **$15.00** |  | $15.00 |  | $15.00 |
| **Series C** |  | 6.25%  Non-Cumulative |  | June 12, 2014 |  | 6.25 |  | Quarterly |  | **15.63** |  | 15.63 |  | 15.63 |
| **Series D** |  | 6.70%  Non-Cumulative |  | October 31, 2014 |  | 6.70 |  | Quarterly |  | **16.75** |  | 16.75 |  | 16.75 |
| **Series E** |  | Fixed-to-Floating Rate Non-Cumulative |  | May 14, 2015 |  | 5.55% through 5/31/2020;  3-mo. LIBOR+ 380 bps thereafter |  | Semi-Annually through 5/31/2020; Quarterly thereafter |  | **—** |  | 27.75 |  | — |
| **Series F** |  | 6.20%  Non-Cumulative |  | August 24, 2015 |  | 6.20 |  | Quarterly |  | **15.50** |  | 15.50 |  | 15.50 |
| **Series G** |  | 5.20% Non-Cumulative |  | July 29, 2016 |  | 5.20 |  | Quarterly |  | **13.00** |  | 13.00 |  | 13.00 |
| **Series H** |  | 6.00%  Non-Cumulative |  | November 29, 2016 |  | 6.00 |  | Quarterly |  | **15.00** |  | 15.00 |  | 15.00 |
| **Series I** |  | 5.00%  Non-Cumulative |  | September 11, 2019 |  | 5.00 |  | Quarterly |  | **—** |  | — |  | — |

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 BHC, 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 BHC. As of September 30, 2019, funds available for dividend payments from COBNA and CONA were $2.5 billion and $5.3 billion, respectively. There can be no assurance that we will declare and pay any dividends to stockholders. Consistent with our 2019 Stock Repurchase Program which was announced on June 27, 2019, our Board of Directors authorized the repurchase of up to $2.2 billion of shares of common stock beginning in the third quarter of 2019 through the end of the second

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 36 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

quarter of 2020. During the third quarter of 2019, we repurchased approximately $466 million of shares of our common stock under the 2019 Stock Repurchase Program.

The timing and exact amount of any future common stock repurchases will depend on various factors, including regulatory approval, market conditions, opportunities for growth, our capital position and the 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 Transfers of Funds” in our 2018 Form 10-K.

|  |
| --- |
|  |
|  |
| **RISK MANAGEMENT** |

**Risk Framework**

The risk framework (the “Framework”) was refined at the end of the second quarter of 2019 to more fully articulate alignment with applicable regulatory guidance and industry practices.

Our Framework sets consistent expectations for risk management across the Company. It also defines and sets expectations for our “Three Lines of Defense” model. Accountability for overseeing an effective Framework resides with our Board of Directors either directly or through its committees while management is responsible for the development and implementation of the Framework. The Framework consists of the following nine elements:

|  |  |
| --- | --- |
|  |  |
| • | Governance and Accountability |

|  |  |
| --- | --- |
|  |  |
| • | Strategy and Risk Alignment |

|  |  |
| --- | --- |
|  |  |
| • | Risk Identification |

|  |  |
| --- | --- |
|  |  |
| • | Assessment, Measurement and Response |

|  |  |
| --- | --- |
|  |  |
| • | Monitoring and Testing |

|  |  |
| --- | --- |
|  |  |
| • | Aggregation, Reporting and Escalation |

|  |  |
| --- | --- |
|  |  |
| • | Capital and Liquidity Management (including Stress Testing) |

|  |  |
| --- | --- |
|  |  |
| • | Risk Data and Enabling Technology |

|  |  |
| --- | --- |
|  |  |
| • | Culture and Talent Management |

We manage risk holistically using the “Three Lines of Defense” model, which defines the roles, responsibilities and accountabilities for taking and managing risk across the Company.

The “First Line of Defense” consists of any line of business or function that is accountable for risk taking and is responsible for: (i) engaging in activities designed to generate revenue or reduce expenses; (ii) providing operational support or servicing to any business function for the delivery of products or services to customers; or (iii) providing technology services in direct support of first line business areas. Each line of business or first line function is responsible for managing the risks associated with their activities, including identifying, assessing, measuring, monitoring, controlling, and reporting the risks within its business activities, consistent with the risk framework. The “Second Line of Defense” consists of two types of functions: Independent Risk Management (“IRM”) and Support Functions. IRM oversees risk-taking activities and assesses risks and issues independent from the first line of defense. Support Functions are centers of specialized expertise (e.g., Human Resources, Accounting, Legal) that provide support services to the enterprise. The “Third Line of Defense” is comprised of the Internal Audit and Credit Review functions. The third line provides independent and objective assurance to senior management and to the Board of Directors that the first and second lines of defense have systems and governance processes which are well-designed and working as intended, and that the Framework is appropriate for the size, complexity and risk profile of Capital One.

We provide additional discussion of our risk management principles, roles and responsibilities, framework and risk appetite under “MD&A—Risk Management” in our 2018 Form 10-K.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 37 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |
| --- |
|  |
|  |
| **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 purchasing securities for our investment securities portfolio, entering into derivative transactions to manage our market risk exposure and to accommodate customers, extending short-term advances on syndication activity (including bridge financing transactions we have underwritten), depositing certain operational cash balances in other financial institutions, executing certain foreign exchange transactions and extending customer overdrafts. We provide additional information on credit risk related to our investment securities portfolio under “MD&A—Consolidated Balance Sheets Analysis—Investment Securities” and credit risk related to derivative transactions in “Note 9—Derivative Instruments and Hedging Activities.”

**Portfolio Composition of Loans Held for Investment**

We provide a variety of lending products. Our primary products include credit cards, auto loans and commercial lending products. We sold all of our consumer home loan portfolio and the related servicing during 2018. 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 2018 Form 10-K.

Our loan portfolio consists of loans held for investment, including loans held in our consolidated trusts, and loans held for sale. Loans and the related credit metrics presented in this section exclude loans held for sale, which are carried at lower of cost or fair value and totaled $1.2 billion as of both September 30, 2019 and December 31, 2018.

Table 17 presents the composition of our portfolio of loans held for investment by portfolio segment as of September 30, 2019 and December 31, 2018.

**Table 17: Portfolio Composition of Loans Held for Investment**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | |  | **December 31, 2018** | | | | | |
| *(Dollars in millions)* |  | **Loans** | | |  | **% of Total** | |  | **Loans** | | |  | **% of Total** | |
| **Credit Card:** |  |  | | |  |  | |  |  | | |  |  | |
| Domestic credit card |  | **$** | **104,664** |  |  | **42.0** | **%** |  | $ | 107,350 |  |  | 43.6 | % |
| International card businesses |  | **9,017** | |  |  | **3.6** |  |  | 9,011 | |  |  | 3.7 |  |
| Total credit card |  | **113,681** | |  |  | **45.6** |  |  | 116,361 | |  |  | 47.3 |  |
| **Consumer Banking:** |  |  | | |  |  | |  |  | | |  |  | |
| Auto |  | **59,278** | |  |  | **23.8** |  |  | 56,341 | |  |  | 22.9 |  |
| Retail banking |  | **2,737** | |  |  | **1.1** |  |  | 2,864 | |  |  | 1.2 |  |
| Total consumer banking |  | **62,015** | |  |  | **24.9** |  |  | 59,205 | |  |  | 24.1 |  |
| **Commercial Banking:** |  |  | | |  |  | |  |  | | |  |  | |
| Commercial and multifamily real estate |  | **30,009** | |  |  | **12.0** |  |  | 28,899 | |  |  | 11.8 |  |
| Commercial and industrial |  | **43,650** | |  |  | **17.5** |  |  | 41,091 | |  |  | 16.7 |  |
| Total commercial lending |  | **73,659** | |  |  | **29.5** |  |  | 69,990 | |  |  | 28.5 |  |
| Small-ticket commercial real estate |  | **—** | |  |  | **—** |  |  | 343 | |  |  | 0.1 |  |
| Total commercial banking |  | **73,659** | |  |  | **29.5** |  |  | 70,333 | |  |  | 28.6 |  |
| Total loans held for investment |  | **$** | **249,355** |  |  | **100.0** | **%** |  | $ | 245,899 |  |  | 100.0 | % |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 38 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

***Commercial Loans***

Table 18 summarizes our commercial loans held for investment portfolio by industry classification as of September 30, 2019 and December 31, 2018. Industry classifications below are based on our interpretation of the North American Industry Classification System codes as they pertain to each individual loan.

**Table 18: Commercial Loans by Industry**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | |
|  |  |  |  |  |  |  |
| *(Percentage of portfolio)* |  | **September 30,  2019** | |  | **December 31,  2018** | |
| Real estate |  | **38** | **%** |  | 40 | % |
| Finance |  | **16** |  |  | 16 |  |
| Healthcare |  | **12** |  |  | 12 |  |
| Business services |  | **6** |  |  | 5 |  |
| Oil and gas |  | **5** |  |  | 5 |  |
| Public administration |  | **4** |  |  | 4 |  |
| Educational services |  | **4** |  |  | 4 |  |
| Retail trade |  | **3** |  |  | 3 |  |
| Construction and land |  | **3** |  |  | 2 |  |
| Other |  | **9** |  |  | 9 |  |
| Total |  | **100** | **%** |  | 100 | % |

**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 one of the primary indicators of credit risk within our consumer loan portfolios, particularly in our credit card loan portfolios, as changes in delinquency rates can provide an early warning of changes in credit losses. 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 exposure of the portfolio to 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 our management of credit lines and collection strategies based on customer behavior and risk profile changes. We also use borrower credit scores for subprime classification, for competitive benchmarking and, in some cases, to drive product segmentation decisions.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 39 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 19 provides details on the credit scores of our domestic credit card and auto loan portfolios as of September 30, 2019 and December 31, 2018.

**Table 19: Credit Score Distribution**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | |
|  |  |  |  |  |  |  |
| *(Percentage of portfolio)* |  | **September 30,  2019** | |  | **December 31,  2018** | |
| **Domestic credit card—Refreshed FICO scores:(1)** |  |  | |  |  | |
| Greater than 660 |  | **68** | **%** |  | 67 | % |
| 660 or below |  | **32** |  |  | 33 |  |
| Total |  | **100** | **%** |  | 100 | % |
| **Auto**—**At origination FICO scores:(2)** |  |  | |  |  | |
| Greater than 660 |  | **48** | **%** |  | 50 | % |
| 621 - 660 |  | **20** |  |  | 19 |  |
| 620 or below |  | **32** |  |  | 31 |  |
| Total |  | **100** | **%** |  | 100 | % |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Percentages represent period-end loans held for investment in each credit score category. Domestic card 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) | Percentages represent period-end loans held for investment in each credit score category. Auto credit scores generally represent average FICO scores obtained from three credit bureaus at the time of application and are not refreshed thereafter. Balances for which no credit score is available or the credit score is invalid are included in the 620 or below category. |

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, and see “Note 1—Summary of Significant Accounting Policies” in our 2018 Form 10-K for information on our accounting policies for delinquent and nonperforming loans, charge-offs and troubled debt restructurings (“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 each balance sheet 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 these 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 2018 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 “MD&A—Business Segment Financial Performance.”

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 40 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 20 presents our 30+ day performing delinquency rates and 30+ day delinquency rates of our portfolio of loans held for investment, by portfolio segment, as of September 30, 2019 and December 31, 2018.

**Table 20: 30+ Day Delinquencies**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | |  | **December 31, 2018** | | | | | | | | | | | | |
|  |  | **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 |  | **$** | **3,880** |  |  | **3.71** | **%** |  | **$** | **3,880** |  |  | **3.71** | **%** |  | $ | 4,335 |  |  | 4.04 | % |  | $ | 4,335 |  |  | 4.04 | % |
| International card businesses |  | **318** | |  |  | **3.52** |  |  | **334** | |  |  | **3.71** |  |  | 317 | |  |  | 3.52 |  |  | 333 | |  |  | 3.70 |  |
| Total credit card |  | **4,198** | |  |  | **3.69** |  |  | **4,214** | |  |  | **3.71** |  |  | 4,652 | |  |  | 4.00 |  |  | 4,668 | |  |  | 4.01 |  |
| **Consumer Banking:** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Auto |  | **3,834** | |  |  | **6.47** |  |  | **4,207** | |  |  | **7.10** |  |  | 3,918 | |  |  | 6.95 |  |  | 4,309 | |  |  | 7.65 |  |
| Retail banking |  | **27** | |  |  | **1.01** |  |  | **45** | |  |  | **1.63** |  |  | 29 | |  |  | 1.01 |  |  | 51 | |  |  | 1.77 |  |
| Total consumer banking |  | **3,861** | |  |  | **6.23** |  |  | **4,252** | |  |  | **6.86** |  |  | 3,947 | |  |  | 6.67 |  |  | 4,360 | |  |  | 7.36 |  |
| **Commercial Banking:** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Commercial and multifamily real estate |  | **57** | |  |  | **0.19** |  |  | **58** | |  |  | **0.19** |  |  | 119 | |  |  | 0.41 |  |  | 140 | |  |  | 0.49 |  |
| Commercial and industrial |  | **71** | |  |  | **0.16** |  |  | **236** | |  |  | **0.54** |  |  | 176 | |  |  | 0.43 |  |  | 279 | |  |  | 0.68 |  |
| Total commercial lending |  | **128** | |  |  | **0.17** |  |  | **294** | |  |  | **0.40** |  |  | 295 | |  |  | 0.42 |  |  | 419 | |  |  | 0.60 |  |
| Small-ticket commercial real estate |  | **—** | |  |  | **—** |  |  | **—** | |  |  | **—** |  |  | 1 | |  |  | 0.39 |  |  | 7 | |  |  | 1.84 |  |
| Total commercial banking |  | **128** | |  |  | **0.17** |  |  | **294** | |  |  | **0.40** |  |  | 296 | |  |  | 0.42 |  |  | 426 | |  |  | 0.61 |  |
| Total |  | **$** | **8,187** |  |  | **3.28** |  |  | **$** | **8,760** |  |  | **3.51** |  |  | $ | 8,895 |  |  | 3.62 |  |  | $ | 9,454 |  |  | 3.84 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Delinquency rates are calculated by dividing delinquency amounts by period-end loans held for investment for each specified loan category, including purchased credit-impaired (“PCI”) loans as applicable. |

Table 21 presents our 30+ day delinquent loans, by aging and geography, as of September 30, 2019 and December 31, 2018.

**Table 21: Aging and Geography of 30+ Day Delinquent Loans**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | |  | **December 31, 2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |
| **Delinquency status:** |  |  | | |  |  | |  |  | | |  |  | |
| 30 – 59 days |  | **$** | **4,009** |  |  | **1.60** | **%** |  | $ | 4,282 |  |  | 1.73 | % |
| 60 – 89 days |  | **2,264** | |  |  | **0.91** |  |  | 2,430 | |  |  | 0.99 |  |
| > 90 days |  | **2,487** | |  |  | **1.00** |  |  | 2,742 | |  |  | 1.12 |  |
| Total |  | **$** | **8,760** |  |  | **3.51** | **%** |  | $ | 9,454 |  |  | 3.84 | % |
| **Geographic region:** |  |  | | |  |  | |  |  | | |  |  | |
| Domestic |  | **$** | **8,426** |  |  | **3.38** | **%** |  | $ | 9,121 |  |  | 3.70 | % |
| International |  | **334** | |  |  | **0.13** |  |  | 333 | |  |  | 0.14 |  |
| Total |  | **$** | **8,760** |  |  | **3.51** | **%** |  | $ | 9,454 |  |  | 3.84 | % |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Delinquency rates are calculated by dividing delinquency amounts by total period-end loans held for investment, including PCI loans as applicable. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 41 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 22 summarizes loans that were 90+ days delinquent as to interest or principal, and still accruing interest as of September 30, 2019 and December 31, 2018. 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, we 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 22: 90+ Day Delinquent Loans Accruing Interest**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | |  | **December 31, 2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |
| **Loan category:** |  |  | | |  |  | |  |  | | |  |  | |
| Credit card |  | **$** | **1,992** |  |  | **1.75** | **%** |  | $ | 2,233 |  |  | 1.92 | % |
| Commercial banking |  | **31** | |  |  | **0.04** |  |  | — | |  |  | — |  |
| Total |  | **$** | **2,023** |  |  | **0.81** |  |  | $ | 2,233 |  |  | 0.91 |  |
| **Geographic region:** |  |  | | |  |  | |  |  | | |  |  | |
| Domestic |  | **$** | **1,904** |  |  | **0.79** | **%** |  | $ | 2,111 |  |  | 0.89 | % |
| International |  | **119** | |  |  | **1.32** |  |  | 122 | |  |  | 1.35 |  |
| Total |  | **$** | **2,023** |  |  | **0.81** |  |  | $ | 2,233 |  |  | 0.91 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Delinquency rates are calculated by dividing delinquency amounts by period-end loans held for investment for each specified loan category, including PCI loans as applicable. |

***Nonperforming Loans and Nonperforming Assets***

Nonperforming assets consist of nonperforming loans, repossessed assets and foreclosed properties. Nonperforming loans include loans that have been placed on nonaccrual status. See “Note 1—Summary of Significant Accounting Policies” in our 2018 Form 10-K for information on our policies for classifying loans as nonperforming for each of our loan categories.

Table 23 presents our nonperforming loans, by portfolio segment, and other nonperforming assets as of September 30, 2019 and December 31, 2018. 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 “MD&A—Business Segment Financial Performance.”

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 42 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Table 23: Nonperforming Loans and Other Nonperforming Assets(1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | |  | **December 31, 2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **Rate** | |  | **Amount** | | |  | **Rate** | |
| **Nonperforming loans held for investment:(2)** |  |  | | |  |  | |  |  | | |  |  | |
| **Credit Card:** |  |  | | |  |  | |  |  | | |  |  | |
| International card businesses |  | **$** | **23** |  |  | **0.25** | **%** |  | $ | 22 |  |  | 0.25 | % |
| Total credit card |  | **23** | |  |  | **0.02** |  |  | 22 | |  |  | 0.02 |  |
| **Consumer Banking:** |  |  | | |  |  | |  |  | | |  |  | |
| Auto |  | **432** | |  |  | **0.73** |  |  | 449 | |  |  | 0.80 |  |
| Retail banking |  | **25** | |  |  | **0.91** |  |  | 30 | |  |  | 1.04 |  |
| Total consumer banking |  | **457** | |  |  | **0.74** |  |  | 479 | |  |  | 0.81 |  |
| **Commercial Banking:** |  |  | | |  |  | |  |  | | |  |  | |
| Commercial and multifamily real estate |  | **36** | |  |  | **0.12** |  |  | 83 | |  |  | 0.29 |  |
| Commercial and industrial |  | **413** | |  |  | **0.95** |  |  | 223 | |  |  | 0.54 |  |
| Total commercial lending |  | **449** | |  |  | **0.61** |  |  | 306 | |  |  | 0.44 |  |
| Small-ticket commercial real estate |  | **—** | |  |  | **—** |  |  | 6 | |  |  | 1.80 |  |
| Total commercial banking |  | **449** | |  |  | **0.61** |  |  | 312 | |  |  | 0.44 |  |
| Total nonperforming loans held for investment(3) |  | **$** | **929** |  |  | **0.37** |  |  | $ | 813 |  |  | 0.33 |  |
| Other nonperforming assets(4) |  | **61** | |  |  | **0.03** |  |  | 59 | |  |  | 0.02 |  |
| Total nonperforming assets |  | **$** | **990** |  |  | **0.40** |  |  | $ | 872 |  |  | 0.35 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | We recognized interest income for loans classified as nonperforming of $37 million and $35 million in the first nine months of 2019 and 2018, respectively. Interest income foregone related to nonperforming loans was $50 million and $44 million in the first nine months of 2019 and 2018, respectively. Foregone interest income represents the amount of interest income in excess of recognized 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) | Nonperforming loan rates are calculated based on nonperforming loans for each category divided by period-end total loans held for investment for each respective category. |

|  |  |
| --- | --- |
|  |  |
| (3) | Excluding the impact of domestic credit card loans, nonperforming loans as a percentage of total loans held for investment was 0.64% and 0.59% as of September 30, 2019 and December 31, 2018, respectively. |

|  |  |
| --- | --- |
|  |  |
| (4) | The denominators used in calculating nonperforming asset rates consist of total loans held for investment and other nonperforming assets. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 43 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

***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 charge off loans as a reduction to the allowance for loan and lease losses when we determine the loan is uncollectible and record subsequent recoveries of previously charged-off amounts as increases to the allowance for loan and lease losses. Uncollectible finance charges and fees are reversed through revenue and certain fraud losses are recorded in other non-interest expense. Generally, costs to recover charged-off loans are recorded as collection expenses as incurred 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 2018 Form 10-K for information on our charge-off policy for each of our loan categories.

Table 24 presents our net charge-off amounts and rates, by portfolio segment, in the third quarter and first nine months of 2019 and 2018.

**Table 24: Net Charge-Offs (Recoveries)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | | | | |
|  |  | **2019** | | | | | |  | **2018** | | | | | |  | **2019** | | | | | |  | **2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |
| **Credit Card:** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Domestic credit card |  | **$** | **1,065** |  |  | **4.12** | **%** |  | $ | 1,094 |  |  | 4.35 | % |  | **$** | **3,599** |  |  | **4.67** | **%** |  | $ | 3,581 |  |  | 4.78 | % |
| International card businesses |  | **86** | |  |  | **3.78** |  |  | 43 | |  |  | 1.92 |  |  | **236** | |  |  | **3.54** |  |  | 193 | |  |  | 2.85 |  |
| Total credit card |  | **1,151** | |  |  | **4.09** |  |  | 1,137 | |  |  | 4.15 |  |  | **3,835** | |  |  | **4.58** |  |  | 3,774 | |  |  | 4.62 |  |
| **Consumer Banking:** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Auto |  | **234** | |  |  | **1.60** |  |  | 243 | |  |  | 1.73 |  |  | **592** | |  |  | **1.38** |  |  | 633 | |  |  | 1.53 |  |
| Retail banking |  | **17** | |  |  | **2.55** |  |  | 19 | |  |  | 2.62 |  |  | **52** | |  |  | **2.51** |  |  | 51 | |  |  | 2.18 |  |
| Home loan |  | **—** | |  |  | **—** |  |  | — | |  |  | — |  |  | **—** | |  |  | **—** |  |  | (1 | | ) |  | (0.02 | ) |
| Total consumer banking |  | **251** | |  |  | **1.64** |  |  | 262 | |  |  | 1.77 |  |  | **644** | |  |  | **1.43** |  |  | 683 | |  |  | 1.36 |  |
| **Commercial Banking:** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Commercial and multifamily real estate |  | **1** | |  |  | **0.02** |  |  | 2 | |  |  | 0.04 |  |  | **1** | |  |  | **0.01** |  |  | 2 | |  |  | 0.01 |  |
| Commercial and industrial |  | **59** | |  |  | **0.55** |  |  | 25 | |  |  | 0.25 |  |  | **89** | |  |  | **0.28** |  |  | 37 | |  |  | 0.13 |  |
| Total commercial banking |  | **60** | |  |  | **0.33** |  |  | 27 | |  |  | 0.16 |  |  | **90** | |  |  | **0.17** |  |  | 39 | |  |  | 0.08 |  |
| Other loans |  | **—** | |  |  | **—** |  |  | (1 | | ) |  | \*\* |  |  | **—** | |  |  | **—** |  |  | 6 | |  |  | \*\* |  |
| Total net charge-offs |  | **$** | **1,462** |  |  | **2.38** |  |  | $ | 1,425 |  |  | 2.41 |  |  | **$** | **4,569** |  |  | **2.50** |  |  | $ | 4,502 |  |  | 2.48 |  |
| Average loans held for investment |  | **$** | **246,147** |  |  |  | |  | $ | 236,766 |  |  |  | |  | **$** | **243,602** |  |  |  | |  | $ | 242,369 |  |  |  | |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Net charge-off (recovery) rates are calculated by dividing annualized net charge-offs (recoveries) by average loans held for investment for the period for each loan category. |

|  |  |
| --- | --- |
|  |  |
| \*\* | Not meaningful. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 44 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

***Troubled Debt 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 repossession or foreclosure of collateral.

Table 25 presents our recorded investment of loans modified in TDRs as of September 30, 2019 and December 31, 2018, which excludes loan modifications that do not meet the definition of a TDR, and PCI loans, which we track and report separately.

**Table 25: Troubled Debt Restructurings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | |  | **December 31, 2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **% of Total Modifications** | |  | **Amount** | | |  | **% of Total Modifications** | |
| Credit card |  | **$** | **815** |  |  | **51.1** | **%** |  | $ | 855 |  |  | 53.2 | % |
| Consumer banking: |  |  | | |  |  | |  |  | | |  |  | |
| Auto |  | **335** | |  |  | **21.0** |  |  | 339 | |  |  | 21.1 |  |
| Retail banking |  | **28** | |  |  | **1.7** |  |  | 33 | |  |  | 2.1 |  |
| Total consumer banking |  | **363** | |  |  | **22.7** |  |  | 372 | |  |  | 23.2 |  |
| Commercial banking |  | **418** | |  |  | **26.2** |  |  | 379 | |  |  | 23.6 |  |
| Total |  | **$** | **1,596** |  |  | **100.0** | **%** |  | $ | 1,606 |  |  | 100.0 | % |
| **Status of TDRs:** |  |  | | |  |  | |  |  | | |  |  | |
| Performing |  | **$** | **1,378** |  |  | **86.3** | **%** |  | $ | 1,433 |  |  | 89.2 | % |
| Nonperforming |  | **218** | |  |  | **13.7** |  |  | 173 | |  |  | 10.8 |  |
| Total |  | **$** | **1,596** |  |  | **100.0** | **%** |  | $ | 1,606 |  |  | 100.0 | % |

In our Credit Card business, the majority of our credit card loans modified in TDRs involve reducing the interest rate on the account and placing the customer on a fixed payment plan not exceeding 60 months. The effective interest rate in effect immediately prior to the loan modification is used as the effective interest rate for purposes of measuring impairment using the present value of expected cash flows. If the customer does not comply with the modified payment terms, then the credit card loan agreement may revert to its original payment terms, generally resulting in any loan outstanding reflected in the appropriate delinquency category and charged off in accordance with our standard charge-off policy.

In our Consumer Banking business, the majority of our loans modified in TDRs receive an extension, an interest rate reduction or principal reduction, or a combination of these concessions. In addition, TDRs also occur in connection with bankruptcy of the borrower. In certain bankruptcy discharges, the loan is written down to the collateral value and the charged-off amount is reported as principal reduction. Impairment is determined using the present value of expected cash flows or a collateral evaluation for certain auto loans where the collateral value is lower than the recorded investment.

In our Commercial Banking business, the majority of loans modified in TDRs receive an extension, with a portion of these loans receiving an interest rate reduction or a gross balance 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 to be 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 PCI loans, which are accounted for based on expected cash flows because this accounting methodology takes into consideration future credit losses expected to be incurred.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 45 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Impaired loans totaled $1.9 billion and $1.8 billion as of September 30, 2019 and December 31, 2018, respectively. These amounts include TDRs of $1.6 billion as of both September 30, 2019 and December 31, 2018. 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 and Reserve for Unfunded Lending Commitments.”

**Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments**

Our allowance for loan and lease losses represents management’s best estimate of incurred loan and lease credit losses inherent to 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 2018 Form 10-K.

Table 26 presents changes in our allowance for loan and lease losses and reserve for unfunded lending commitments for the third quarter and first nine months of 2019 and 2018, and details by portfolio segment for the provision for credit losses, charge-offs and recoveries.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 46 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Table 26: Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments Activity**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Credit Card** | | | | | | | | | | |  | **Consumer Banking** | | | | | | | | | | |  |  | | |  |  | | |
| *(Dollars in millions)* |  | **Domestic Card** | | |  | **International Card Businesses** | | |  | **Total Credit Card** | | |  | **Auto** | | |  | **Retail Banking** | | |  | **Total Consumer Banking** | | |  | **Commercial Banking** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of June 30, 2019 |  | $ | 4,925 |  |  | $ | 417 |  |  | $ | 5,342 |  |  | $ | 997 |  |  | $ | 58 |  |  | $ | 1,055 |  |  | $ | 736 |  |  | $ | 7,133 |  |
| Charge-offs |  | **(1,403** | | **)** |  | **(128** | | **)** |  | **(1,531** | | **)** |  | **(468** | | **)** |  | **(21** | | **)** |  | **(489** | | **)** |  | **(66** | | **)** |  | **(2,086** | | **)** |
| Recoveries(1) |  | **338** | |  |  | **42** | |  |  | **380** | |  |  | **234** | |  |  | **4** | |  |  | **238** | |  |  | **6** | |  |  | **624** | |  |
| Net charge-offs |  | **(1,065** | | **)** |  | **(86** | | **)** |  | **(1,151** | | **)** |  | **(234** | | **)** |  | **(17** | | **)** |  | **(251** | | **)** |  | **(60** | | **)** |  | **(1,462** | | **)** |
| Provision for loan and lease losses |  | **1,010** | |  |  | **77** | |  |  | **1,087** | |  |  | **189** | |  |  | **14** | |  |  | **203** | |  |  | **84** | |  |  | **1,374** | |  |
| Allowance build (release) for loan and lease losses |  | **(55** | | **)** |  | **(9** | | **)** |  | **(64** | | **)** |  | **(45** | | **)** |  | **(3** | | **)** |  | **(48** | | **)** |  | **24** | |  |  | **(88** | | **)** |
| Other changes(2) |  | **—** | |  |  | **(8** | | **)** |  | **(8** | | **)** |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **(8** | | **)** |
| Balance as of September 30, 2019 |  | **4,870** | |  |  | **400** | |  |  | **5,270** | |  |  | **952** | |  |  | **55** | |  |  | **1,007** | |  |  | **760** | |  |  | **7,037** | |  |
| **Reserve for unfunded lending commitments:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of June 30, 2019 |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | 4 | |  |  | 4 | |  |  | 140 | |  |  | 144 | |  |
| Provision for losses on unfunded lending commitments |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **9** | |  |  | **9** | |  |
| Balance as of September 30, 2019 |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **4** | |  |  | **4** | |  |  | **149** | |  |  | **153** | |  |
| **Combined allowance and reserve as of September 30, 2019** |  | **$** | **4,870** |  |  | **$** | **400** |  |  | **$** | **5,270** |  |  | **$** | **952** |  |  | **$** | **59** |  |  | **$** | **1,011** |  |  | **$** | **909** |  |  | **$** | **7,190** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Credit Card** | | | | | | | | | | |  | **Consumer Banking** | | | | | | | | | | |  |  | | |  |  | | |
| *(Dollars in millions)* |  | **Domestic Card** | | |  | **International Card Businesses** | | |  | **Total Credit Card** | | |  | **Auto** | | |  | **Retail Banking** | | |  | **Total Consumer Banking** | | |  | **Commercial Banking** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of December 31, 2018 |  | $ | 5,144 |  |  | $ | 391 |  |  | $ | 5,535 |  |  | $ | 990 |  |  | $ | 58 |  |  | $ | 1,048 |  |  | $ | 637 |  |  | $ | 7,220 |  |
| Charge-offs |  | **(4,635** | | **)** |  | **(389** | | **)** |  | **(5,024** | | **)** |  | **(1,318** | | **)** |  | **(65** | | **)** |  | **(1,383** | | **)** |  | **(109** | | **)** |  | **(6,516** | | **)** |
| Recoveries(1) |  | **1,036** | |  |  | **153** | |  |  | **1,189** | |  |  | **726** | |  |  | **13** | |  |  | **739** | |  |  | **19** | |  |  | **1,947** | |  |
| Net charge-offs |  | **(3,599** | | **)** |  | **(236** | | **)** |  | **(3,835** | | **)** |  | **(592** | | **)** |  | **(52** | | **)** |  | **(644** | | **)** |  | **(90** | | **)** |  | **(4,569** | | **)** |
| Provision for loan and lease losses |  | **3,325** | |  |  | **246** | |  |  | **3,571** | |  |  | **554** | |  |  | **49** | |  |  | **603** | |  |  | **213** | |  |  | **4,387** | |  |
| Allowance build (release) for loan and lease losses |  | **(274** | | **)** |  | **10** | |  |  | **(264** | | **)** |  | **(38** | | **)** |  | **(3** | | **)** |  | **(41** | | **)** |  | **123** | |  |  | **(182** | | **)** |
| Other changes(2) |  | **—** | |  |  | **(1** | | **)** |  | **(1** | | **)** |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **(1** | | **)** |
| Balance as of September 30, 2019 |  | **4,870** | |  |  | **400** | |  |  | **5,270** | |  |  | **952** | |  |  | **55** | |  |  | **1,007** | |  |  | **760** | |  |  | **7,037** | |  |
| **Reserve for unfunded lending commitments:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of December 31, 2018 |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | 4 | |  |  | 4 | |  |  | 118 | |  |  | 122 | |  |
| Provision for losses on unfunded lending commitments |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **31** | |  |  | **31** | |  |
| Balance as of September 30, 2019 |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **—** | |  |  | **4** | |  |  | **4** | |  |  | **149** | |  |  | **153** | |  |
| **Combined allowance and reserve as of September 30, 2019** |  | **$** | **4,870** |  |  | **$** | **400** |  |  | **$** | **5,270** |  |  | **$** | **952** |  |  | **$** | **59** |  |  | **$** | **1,011** |  |  | **$** | **909** |  |  | **$** | **7,190** |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 47 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Credit Card** | | | | | | | | | | |  | **Consumer Banking** | | | | | | | | | | |  |  | | |  |  | | |  |  | | |
| *(Dollars in millions)* |  | **Domestic Card** | | |  | **International Card Businesses** | | |  | **Total Credit Card** | | |  | **Auto** | | |  | **Retail Banking** | | |  | **Total Consumer Banking** | | |  | **Commercial Banking** | | |  | **Other** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of June 30, 2018 |  | $ | 5,260 |  |  | $ | 364 |  |  | $ | 5,624 |  |  | $ | 1,060 |  |  | $ | 60 |  |  | $ | 1,120 |  |  | $ | 624 |  |  | — | |  |  | $ | 7,368 |  |
| Charge-offs |  | (1,403 | | ) |  | (125 | | ) |  | (1,528 | | ) |  | (447 | | ) |  | (22 | | ) |  | (469 | | ) |  | (48 | | ) |  | $ | 1 |  |  | (2,044 | | ) |
| Recoveries(1) |  | 309 | |  |  | 82 | |  |  | 391 | |  |  | 204 | |  |  | 3 | |  |  | 207 | |  |  | 21 | |  |  | — | |  |  | 619 | |  |
| Net charge-offs |  | (1,094 | | ) |  | (43 | | ) |  | (1,137 | | ) |  | (243 | | ) |  | (19 | | ) |  | (262 | | ) |  | (27 | | ) |  | 1 | |  |  | (1,425 | | ) |
| Provision (benefit) for loan and lease losses |  | 950 | |  |  | 81 | |  |  | 1,031 | |  |  | 168 | |  |  | 17 | |  |  | 185 | |  |  | 60 | |  |  | (1 | | ) |  | 1,275 | |  |
| Allowance build (release) for loan and lease losses |  | (144 | | ) |  | 38 | |  |  | (106 | | ) |  | (75 | | ) |  | (2 | | ) |  | (77 | | ) |  | 33 | |  |  | — | |  |  | (150 | | ) |
| Other changes(2) |  | — | |  |  | 2 | |  |  | 2 | |  |  | — | |  |  | — | |  |  | — | |  |  | (1 | | ) |  | — | |  |  | 1 | |  |
| Balance as of September 30, 2018 |  | 5,116 | |  |  | 404 | |  |  | 5,520 | |  |  | 985 | |  |  | 58 | |  |  | 1,043 | |  |  | 656 | |  |  | — | |  |  | 7,219 | |  |
| **Reserve for unfunded lending commitments:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of June 30, 2018 |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | 5 | |  |  | 5 | |  |  | 112 | |  |  | — | |  |  | 117 | |  |
| Benefit for losses on unfunded lending commitments |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | (1 | | ) |  | (1 | | ) |  | (6 | | ) |  | — | |  |  | (7 | | ) |
| Balance as of September 30, 2018 |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | 4 | |  |  | 4 | |  |  | 106 | |  |  | — | |  |  | 110 | |  |
| **Combined allowance and reserve as of September 30, 2018** |  | $ | 5,116 |  |  | $ | 404 |  |  | $ | 5,520 |  |  | $ | 985 |  |  | $ | 62 |  |  | $ | 1,047 |  |  | $ | 762 |  |  | $ | — |  |  | $ | 7,329 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Credit Card** | | | | | | | | | | |  | **Consumer Banking** | | | | | | | | | | | | | | |  |  | | |  |  | | |  |  | | |
| *(Dollars in millions)* |  | **Domestic Card** | | |  | **International Card Businesses** | | |  | **Total Credit Card** | | |  | **Auto** | | |  | **Home Loan(3)** | | |  | **Retail Banking** | | |  | **Total Consumer Banking** | | |  | **Commercial Banking** | | |  | **Other(3)** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of December 31, 2017 |  | $ | 5,273 |  |  | $ | 375 |  |  | $ | 5,648 |  |  | $ | 1,119 |  |  | $ | 58 |  |  | $ | 65 |  |  | $ | 1,242 |  |  | $ | 611 |  |  | $ | 1 |  |  | $ | 7,502 |  |
| Charge-offs |  | (4,649 | | ) |  | (383 | | ) |  | (5,032 | | ) |  | (1,250 | | ) |  | — | |  |  | (64 | | ) |  | (1,314 | | ) |  | (76 | | ) |  | (7 | | ) |  | (6,429 | | ) |
| Recoveries(1) |  | 1,068 | |  |  | 190 | |  |  | 1,258 | |  |  | 617 | |  |  | 1 | |  |  | 13 | |  |  | 631 | |  |  | 37 | |  |  | 1 | |  |  | 1,927 | |  |
| Net charge-offs |  | (3,581 | | ) |  | (193 | | ) |  | (3,774 | | ) |  | (633 | | ) |  | 1 | |  |  | (51 | | ) |  | (683 | | ) |  | (39 | | ) |  | (6 | | ) |  | (4,502 | | ) |
| Provision (benefit) for loan and lease losses |  | 3,424 | |  |  | 234 | |  |  | 3,658 | |  |  | 499 | |  |  | (6 | | ) |  | 45 | |  |  | 538 | |  |  | 85 | |  |  | (49 | | ) |  | 4,232 | |  |
| Allowance build (release) for loan and lease losses |  | (157 | | ) |  | 41 | |  |  | (116 | | ) |  | (134 | | ) |  | (5 | | ) |  | (6 | | ) |  | (145 | | ) |  | 46 | |  |  | (55 | | ) |  | (270 | | ) |
| Other changes(2)(3) |  | — | |  |  | (12 | | ) |  | (12 | | ) |  | — | |  |  | (53 | | ) |  | (1 | | ) |  | (54 | | ) |  | (1 | | ) |  | 54 | |  |  | (13 | | ) |
| Balance as of September 30, 2018 |  | 5,116 | |  |  | 404 | |  |  | 5,520 | |  |  | 985 | |  |  | — | |  |  | 58 | |  |  | 1,043 | |  |  | 656 | |  |  | — | |  |  | 7,219 | |  |
| **Reserve for unfunded lending commitments:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of December 31, 2017 |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | 7 | |  |  | 7 | |  |  | 117 | |  |  | — | |  |  | 124 | |  |
| Benefit for losses on unfunded lending commitments |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | (3 | | ) |  | (3 | | ) |  | (11 | | ) |  | — | |  |  | (14 | | ) |
| Balance as of September 30, 2018 |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | — | |  |  | 4 | |  |  | 4 | |  |  | 106 | |  |  | — | |  |  | 110 | |  |
| **Combined allowance and reserve as of September 30, 2018** |  | $ | 5,116 |  |  | $ | 404 |  |  | $ | 5,520 |  |  | $ | 985 |  |  | $ | — |  |  | $ | 62 |  |  | $ | 1,047 |  |  | $ | 762 |  |  | $ | — |  |  | $ | 7,329 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | The amount and timing of recoveries is impacted by our collection strategies, which are based on customer behavior and risk profile and include direct customer communications, repossession of collateral, the periodic sale of charged-off loans as well as additional strategies, such as litigation. |

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

|  |  |
| --- | --- |
|  |  |
| (3) | In 2018, we sold all of our consumer home loan portfolio.The impact included a benefit for credit losses of $46 million in the second quarter of 2018 which was reflected in the Other category. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 48 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Allowance coverage ratios are calculated based on the allowance for loan and lease losses for each specified portfolio segment divided by period-end loans held for investment within the specified loan category. Table 27 presents the allowance coverage ratios as of September 30, 2019 and December 31, 2018.

**Table 27: Allowance Coverage Ratios**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | |  | **December 31, 2018** | | | | | | | | | |
| *(Dollars in millions)* |  | **Allowance for loan and lease losses** | | |  | **Amount(1)** | | |  | **Allowance coverage ratio** | |  | **Allowance for loan and lease losses** | | |  | **Amount(1)** | | |  | **Allowance coverage ratio** | |
| Credit Card |  | **$** | **5,270** |  |  | **$** | **4,214** |  |  | **125.04** | **%** |  | $ | 5,535 |  |  | $ | 4,668 |  |  | 118.56 | % |
| Consumer banking |  | **1,007** | |  |  | **4,252** | |  |  | **23.68** |  |  | 1,048 | |  |  | 4,360 | |  |  | 24.04 |  |
| Commercial banking |  | **760** | |  |  | **449** | |  |  | **169.14** |  |  | 637 | |  |  | 312 | |  |  | 204.25 |  |
| Total |  | **$** | **7,037** |  |  | **249,355** | |  |  | **2.82** |  |  | $ | 7,220 |  |  | 245,899 | |  |  | 2.94 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Represents period-end 30+ day delinquent loans for our credit card and consumer banking loan portfolios, nonperforming loans for our commercial banking loan portfolio and total loans held for investment for the total ratio. |

Our allowance for loan and lease losses decreased by $183 million to $7.0 billion and the allowance coverage ratio decreased by 12 basis points to 2.82% as of September 30, 2019 from December 31, 2018 primarily driven by an allowance release in our domestic credit card loan portfolio largely due to the strong economy, stable underlying credit performance and the impact of the sale of certain partnership receivables.

|  |
| --- |
|  |
|  |
| **LIQUIDITY RISK PROFILE** |

We have established liquidity practices that are intended to ensure that we have sufficient asset-based liquidity to cover our funding requirements and maintain adequate reserves to withstand the potential impact of deposit attrition or diminished liquidity in the funding markets. In addition to our cash position, we maintain reserves in the form of available for sale securities, held to maturity securities and certain loans that are either readily-marketable or pledgeable.

Table 28 below presents the composition of our liquidity reserves as of September 30, 2019 and December 31, 2018.

**Table 28: Liquidity Reserves**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |
| Cash and cash equivalents |  | **$** | **17,120** |  |  | $ | 13,186 |  |
| Investment securities portfolio: |  |  | | |  |  | | |
| Investment securities available for sale, at fair value |  | **46,168** | |  |  | 46,150 | |  |
| Investment securities held to maturity, at fair value |  | **35,264** | |  |  | 36,619 | |  |
| Total investment securities portfolio |  | **81,432** | |  |  | 82,769 | |  |
| FHLB borrowing capacity secured by loans |  | **10,619** | |  |  | 10,003 | |  |
| Outstanding FHLB advances and letters of credit secured by loans |  | **(229** | | **)** |  | (9,726 | | ) |
| Investment securities encumbered for Public Funds and others |  | **(5,377** | | **)** |  | (6,631 | | ) |
| Total liquidity reserves |  | **$** | **103,565** |  |  | $ | 89,601 |  |

Our liquidity reserves increased by $14.0 billion to $103.6 billion as of September 30, 2019 from December 31, 2018 primarily driven by a decrease in our FHLB advances outstanding and an increase in our cash and cash equivalents. See “MD&A—Risk Management” in our 2018 Form 10-K for additional information on our management of liquidity risk.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 49 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Liquidity Coverage Ratio**

We are subject to the Liquidity Coverage Ratio Rule (“LCR Rule”) as implemented by the Federal Reserve and OCC. The LCR Rule requires us to calculate our LCR daily and to publicly disclose, on a quarterly basis, our LCR, certain related quantitative liquidity metrics, and a qualitative discussion of our LCR. Our average LCR during the third quarter of 2019 exceeded the LCR Rule requirement of 100%. 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. Beginning on the Effective Date of the Tailoring Final Rules, we will be subject to a reduced LCR requirement, which we do not expect will have a significant impact on our publicly disclosed LCR. See “Part I—Item 1. Business—Supervision and Regulation” in our 2018 Form 10-K and “MD&A—Supervision and Regulation” for additional information.

**Borrowing Capacity**

We maintain a shelf registration with the U.S. Securities and Exchange Commission (“SEC”) so that 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 to the amount or number of such securities that we may offer and sell, subject to market conditions. In addition, we also maintain a shelf registration that allows us to periodically offer and sell up to $25 billion of securitized debt obligations from our credit card loan securitization trust and a shelf registration that allows us to periodically offer and sell up to $20 billion from our auto loan securitization trusts.

In addition to our issuance capacity under the shelf registration statements, we also have access to FHLB advances and the Federal Reserve Discount Window. The ability to draw down funding is based on membership status and the amount is dependent upon the Banks’ ability to post collateral. As of September 30, 2019, we pledged both loans and securities to FHLB to secure a maximum borrowing capacity of $19.2 billion, of which $18.9 billion was still available to us to borrow. Our FHLB membership is supported by our investment in FHLB stock of $30 million and $415 million as of September 30, 2019 and December 31, 2018, respectively, which was determined in part based on our outstanding advances. As of September 30, 2019, we pledged loans to secure a borrowing capacity of $5.8 billion under the Federal Reserve Discount Window. Our membership with the Federal Reserve is supported by our investment in Federal Reserve stock, totaling $1.3 billion as of both September 30, 2019 and December 31, 2018.

**Funding**

Our primary source of funding comes from deposits, as they are a stable and relatively low cost source of funding. In addition to deposits, we raise funding through the issuance of senior and subordinated notes, securitized debt obligations, brokered deposits, federal funds purchased, securities loaned or sold under agreements to repurchase, and FHLB advances secured by certain portions of our loan and securities portfolios. A key objective in our use of these markets is to maintain access to a diversified mix of wholesale funding sources. See “MD&A—Consolidated Balance Sheets Analysis—Funding Sources Composition” for additional information on our primary sources of funding.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 50 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

***Deposits***

Table 29 provides a comparison of average balances, interest expense and average deposit interest rates for the third quarter and first nine months of 2019 and 2018.

**Table 29: Deposits Composition and Average Deposits Interest Rates**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | | | | | |  | **2018** | | | | | | | | | |
| *(Dollars in millions)* |  | **Average**  **Balance** | | |  | **Interest**  **Expense** | | |  | **Average**  **Deposits**  **Interest Rate** | |  | **Average**  **Balance** | | |  | **Interest**  **Expense** | | |  | **Average**  **Deposits**  **Interest Rate** | |
| Interest-bearing checking accounts(1) |  | **$** | **33,804** |  |  | **$** | **75** |  |  | **0.87** | **%** |  | $ | 37,485 |  |  | $ | 61 |  |  | 0.64 | % |
| Saving deposits(2) |  | **154,442** | |  |  | **540** | |  |  | **1.39** |  |  | 149,484 | |  |  | 422 | |  |  | 1.12 |  |
| Time deposits less than $100,000 |  | **28,174** | |  |  | **197** | |  |  | **2.78** |  |  | 25,350 | |  |  | 156 | |  |  | 2.44 |  |
| Total interest-bearing core deposits |  | **216,420** | |  |  | **812** | |  |  | **1.49** |  |  | 212,319 | |  |  | 639 | |  |  | 1.19 |  |
| Time deposits of $100,000 or more |  | **15,643** | |  |  | **89** | |  |  | **2.25** |  |  | 8,846 | |  |  | 42 | |  |  | 1.90 |  |
| Foreign deposits |  | **—** | |  |  | **—** | |  |  | **—** |  |  | 266 | |  |  | — | |  |  | 0.45 |  |
| Total interest-bearing deposits |  | **$** | **232,063** |  |  | **$** | **901** |  |  | **1.55** |  |  | $ | 221,431 |  |  | $ | 681 |  |  | 1.23 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | | | | | |  | **2018** | | | | | | | | | |
| *(Dollars in millions)* |  | **Average**  **Balance** | | |  | **Interest**  **Expense** | | |  | **Average**  **Deposits**  **Interest Rate** | |  | **Average**  **Balance** | | |  | **Interest**  **Expense** | | |  | **Average**  **Deposits**  **Interest Rate** | |
| Interest-bearing checking accounts(1) |  | **$** | **34,437** |  |  | **$** | **223** |  |  | **0.86** | **%** |  | $ | 39,957 |  |  | $ | 179 |  |  | 0.60 | % |
| Saving deposits(2) |  | **154,168** | |  |  | **1,565** | |  |  | **1.36** |  |  | 148,957 | |  |  | 1,135 | |  |  | 1.02 |  |
| Time deposits less than $100,000 |  | **26,898** | |  |  | **555** | |  |  | **2.76** |  |  | 25,416 | |  |  | 436 | |  |  | 2.29 |  |
| Total interest-bearing core deposits |  | **215,503** | |  |  | **2,343** | |  |  | **1.45** |  |  | 214,330 | |  |  | 1,750 | |  |  | 1.09 |  |
| Time deposits of $100,000 or more |  | **14,542** | |  |  | **245** | |  |  | **2.25** |  |  | 6,726 | |  |  | 91 | |  |  | 1.81 |  |
| Foreign deposits |  | **—** | |  |  | **—** | |  |  | **—** |  |  | 344 | |  |  | 1 | |  |  | 0.42 |  |
| Total interest-bearing deposits |  | **$** | **230,045** |  |  | **$** | **2,588** |  |  | **1.50** |  |  | $ | 221,400 |  |  | $ | 1,842 |  |  | 1.11 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes negotiable order of withdrawal accounts. |

|  |  |
| --- | --- |
|  |  |
| (2) | Includes money market deposit accounts. |

The FDIC limits the acceptance of brokered deposits by well-capitalized insured depository institutions and, with a waiver from the FDIC, by adequately-capitalized institutions. COBNA and CONA were well-capitalized, as defined under the federal banking regulatory guidelines, as of September 30, 2019 and December 31, 2018, respectively. See “Part I—Item 1. Business—Supervision and Regulation” in our 2018 Form 10-K for additional information. We provide additional information on the composition of deposits under “MD&A—Consolidated Balance Sheets Analysis—Funding Sources Composition” and in “Note 8—Deposits and Borrowings.”

***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 obligations, 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 certain of our investment securities, multifamily real estate loans, and commercial real estate loans.

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 short-term FHLB advances and federal funds purchased, securities loaned or sold under agreements to repurchase, decreased by $8.9 billion to $464 million as of September 30, 2019 from December 31, 2018 driven by maturities of our short-term FHLB advances.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 51 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Our long-term debt, which primarily consists of securitized debt obligations, senior and subordinated notes, and long-term FHLB advances, remained substantially flat at $49.7 billion as of September 30, 2019 from December 31, 2018 as issuances were largely offset by maturities. We provide more information on our securitization activity in “Note 6—Variable Interest Entities and Securitizations.”

The following table summarizes issuances of securitized debt obligations, senior and subordinated notes, and FHLB advances and their respective maturities or redemptions for the third quarter and first nine months of 2019 and 2018.

**Table 30: Long-Term Funding**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Issuances** | | | | | | |  | **Maturities/Redemptions** | | | | | | |
|  |  | **Three Months Ended September 30,** | | | | | | |  | **Three Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| Securitized debt obligations |  | **$** | **4,050** |  |  | **—** | |  |  | **$** | **2,096** |  |  | $ | 998 |  |
| Senior and subordinated notes |  | **1,500** | |  |  | **—** | |  |  | **2,844** | |  |  | 1,500 | |  |
| FHLB advances |  | **—** | |  |  | $ | 750 |  |  | **—** | |  |  | 251 | |  |
| Total |  | **$** | **5,550** |  |  | $ | 750 |  |  | **$** | **4,940** |  |  | $ | 2,749 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Issuances** | | | | | | |  | **Maturities/Redemptions** | | | | | | |
|  |  | **Nine Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| Securitized debt obligations |  | **$** | **6,673** |  |  | $ | 1,000 |  |  | **$** | **6,222** |  |  | $ | 2,248 |  |
| Senior and subordinated notes |  | **4,161** | |  |  | 5,250 | |  |  | **5,344** | |  |  | 4,100 | |  |
| FHLB advances |  | **—** | |  |  | 750 | |  |  | **251** | |  |  | 8,858 | |  |
| Total |  | **$** | **10,834** |  |  | $ | 7,000 |  |  | **$** | **11,817** |  |  | $ | 15,206 |  |

**Credit Ratings**

Our credit ratings impact our ability to access capital markets and our 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.

Table 31 provides a summary of the credit ratings for the senior unsecured long-term debt of Capital One Financial Corporation, COBNA and CONA as of September 30, 2019 and December 31, 2018.

**Table 31: Senior Unsecured Long-Term Debt Credit Ratings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | |  | **December 31, 2018** | | | | |
|  |  | **Capital One**  **Financial**  **Corporation** |  | **COBNA** |  | **CONA** |  | **Capital One**  **Financial**  **Corporation** |  | **COBNA** |  | **CONA** |
| Moody’s |  | **Baa1** |  | **Baa1** |  | **Baa1** |  | Baa1 |  | Baa1 |  | Baa1 |
| S&P |  | **BBB** |  | **BBB+** |  | **BBB+** |  | BBB |  | BBB+ |  | BBB+ |
| Fitch |  | **A-** |  | **A-** |  | **A-** |  | A- |  | A- |  | A- |

As of October 28, 2019, Moody’s Investors Service (“Moody’s”), Standard & Poor’s (“S&P”) and Fitch Ratings (“Fitch”) have us on a stable outlook.

|  |
| --- |
|  |
|  |
| **MARKET RISK PROFILE** |

Market risk is the risk of economic loss in the value of our financial instruments due to changes in market factors. Our primary market risk exposures include interest rate risk, foreign exchange risk and commodity pricing risk. We are exposed to market risk primarily from the following operations and activities:

|  |  |
| --- | --- |
|  |  |
| • | Traditional banking activities of deposit gathering and lending; |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 52 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |
| --- | --- |
|  |  |
| • | Asset/liability management activities including the management of investment securities, short-term and long-term borrowings and derivatives; |

|  |  |
| --- | --- |
|  |  |
| • | Foreign operations in the U.K. and Canada within our Credit Card business; and |

|  |  |
| --- | --- |
|  |  |
| • | Customer accommodation activities within our Commercial Banking business. |

We have enterprise-wide risk management policies and limits, approved by our Board of Directors, which govern our market risk management activities. Our objective is to manage our exposure to market risk in accordance with these policies and limits based on prevailing market conditions and long-term expectations. We provide additional information below about our primary sources of market risk, our market risk management strategies and the measures that we use to evaluate these exposures.

**Interest Rate Risk**

Interest rate risk represents exposure to financial instruments whose value vary with the level or volatility of interest rates. We are exposed to interest rate risk primarily from the differences in the timing between the maturities or re-pricing of assets and liabilities. We manage our interest rate risk primarily by entering into interest rate swaps and other derivative instruments, including caps, floors, options, futures and forward contracts.

We use various industry standard market risk measurement techniques and analyses to measure, assess and manage the impact of changes in interest rates on our net interest income and our economic value of equity and changes in foreign exchange rates on our non-dollar-denominated funding and non-dollar equity investments in foreign operations.

***Net Interest Income Sensitivity***

Our net interest income sensitivity measure estimates the impact on our projected 12-month baseline 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 freestanding interest rate derivatives. 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 a hypothetical instantaneous parallel shift in the level of interest rates detailed in Table 32 below. At the current level of interest rates, our interest rate sensitive revenue remains largely unchanged in most scenarios and decreases in the -100 basis points scenario.

***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 exposures, resulting from movements in interest rates. Our economic value of equity sensitivity measure is calculated based on our existing assets and liabilities, including derivatives, and does not incorporate business growth assumptions or projected balance sheet changes. Key assumptions used in the calculation include projecting rate sensitive prepayments for mortgage securities, loans and other assets, term structure modeling of interest rates, discount spreads, and deposit volume and pricing assumptions. 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 detailed in Table 32 below. Our current economic value of equity sensitivity profile demonstrates that our economic value of equity generally decreases as interest rates decrease from the current levels.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 53 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Table 32 shows the estimated percentage impact on our projected baseline net interest income and economic value of equity calculated under the methodology described above as of September 30, 2019 and December 31, 2018. Due to decreases in interest rates since December 31, 2018, we lowered our maximum declining interest rate scenario to -100 basis point in our interest rate sensitivity analysis as of September 30, 2019. In instances where a declining interest rate scenario would result in a rate less than 0%, we assume a rate of 0% for that scenario.

**Table 32: Interest Rate Sensitivity Analysis**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | |
|  |  |  |  |  |  |  |
|  |  | **September 30,  2019** | |  | **December 31,  2018** | |
| Estimated impact on projected baseline net interest income: |  |  | |  |  | |
| +200 basis points |  | **0.9** | **%** |  | (0.8 | )% |
| +100 basis points |  | **0.8** |  |  | (0.2 | ) |
| +50 basis points |  | **0.6** |  |  | 0.0 |  |
| –50 basis points |  | **(0.9** | **)** |  | (0.3 | ) |
| –100 basis points |  | **(2.0** | **)** |  | (1.0 | ) |
| –150 basis points |  | **N/A** |  |  | (2.1 | ) |
| –200 basis points |  | **N/A** |  |  | (3.7 | ) |
| Estimated impact on economic value of equity: |  |  | |  |  | |
| +200 basis points |  | **0.4** |  |  | (7.1 | ) |
| +100 basis points |  | **2.0** |  |  | (2.9 | ) |
| +50 basis points |  | **1.7** |  |  | (1.2 | ) |
| –50 basis points |  | **(3.5** | **)** |  | 0.2 |  |
| –100 basis points |  | **(8.9** | **)** |  | (0.8 | ) |
| –150 basis points |  | **N/A** |  |  | (3.5 | ) |
| –200 basis points |  | **N/A** |  |  | (8.0 | ) |

In addition to these industry standard measures, we 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 sensitivity analysis described above 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.

For further information on our interest rate exposures, see “Note 9—Derivative Instruments and Hedging Activities.”

**Foreign Exchange Risk**

Foreign exchange risk represents exposure to changes in the values of current holdings and future cash flows denominated in other currencies. We are exposed to foreign exchange risk primarily from the intercompany funding denominated in the pound sterling (“GBP”) and the Canadian dollar (“CAD”) that we provide to our businesses in the U.K. and Canada and net equity investments in those businesses. We are also exposed to foreign exchange risk due to changes in the dollar-denominated value of future earnings and cash flows from our foreign operations and from our Euro-denominated (“EUR”) borrowings.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 54 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

Our non-dollar denominated intercompany funding and EUR-denominated borrowings expose our earnings to foreign exchange transaction risk. We manage these transaction risks by using forward foreign currency derivatives and cross-currency swaps to hedge our exposures. We measure our foreign exchange transaction risk exposures by applying a 1% U.S. dollar appreciation shock against the value of the non-dollar denominated intercompany funding and EUR-denominated borrowings and their related hedges, which shows the impact to our earnings from foreign exchange risk. Our intercompany funding outstanding was 672 million GBP and 756 million GBP as of September 30, 2019 and December 31, 2018, respectively, and 6.3 billion CAD and 6.5 billion CAD as of September 30, 2019 and December 31, 2018, respectively. Our EUR-denominated borrowings outstanding were 1.3 billion EUR as of September 30, 2019.

Our non-dollar equity investments in foreign operations expose us to translation risk in our Accumulated other comprehensive income (“AOCI”) and capital ratios. We manage our AOCI exposure by entering into foreign currency derivatives designated as net investment hedges. We measure these exposures by applying a 30% U.S. dollar appreciation shock, which we believe approximates a significant adverse shock over a one-year time horizon, against the value of the net equity invested in our foreign operations related net investment hedges where applicable. Our gross equity exposures in our U.K. and Canadian operations were 1.6 billion GBP as of both September 30, 2019 and December 31, 2018, and 1.3 billion CAD and 1.2 billion CAD as of September 30, 2019 and December 31, 2018, respectively.

As a result of our derivative management activities, we believe our net exposure to foreign exchange risk is minimal.

**Risk related to Customer Accommodation Derivatives**

We offer interest rate, commodity and foreign currency derivatives as an accommodation to our customers within our Commercial Banking business. We offset the majority of the market risk of these customer accommodation derivatives by entering into offsetting derivatives transactions with other counterparties. We use value-at-risk (“VaR”) as the primary method to measure the market risk in our customer accommodation derivative activities on a daily basis. VaR is a statistical risk measure used to estimate the potential loss from movements observed in the recent market environment. We employ an historical simulation approach using the most recent 500 business days and use a 99 percent confidence level and a holding period of one business day. As a result of offsetting our customer exposures with other counterparties, we believe that our net exposure to market risk in our customer accommodation derivatives is minimal. For further information on our risk related to customer accommodation derivatives, see “Note 9—Derivative Instruments and Hedging Activities.”

**London Interbank Offered Rate (“LIBOR”) Transition**

On July 27, 2017, the U.K. Financial Conduct Authority, the regulator for the administration of LIBOR, announced that LIBOR would be transitioned as an interest rate benchmark and that it will no longer compel banks to contribute LIBOR data beyond December 31, 2021. It is unclear what the effect of any such changes may have on the markets for LIBOR-based financial instruments. In the U.S., the Federal Reserve Board and the Federal Reserve Bank of New York established the Alternative Reference Rates Committee (“ARRC”), a group of private market participants and ex-officio members representing banking and financial sector regulators. ARRC has recommended the Secured Overnight Financing Rate (“SOFR”) as the preferred alternative rate for certain U.S. dollar derivative and cash instruments. We have exposures to LIBOR, including loans, derivative contracts, debt instruments, investment securities, vendor agreements and other instruments with attributes that are either directly or indirectly dependent on LIBOR. To facilitate an orderly transition from LIBOR, we have established a company-wide, cross-functional initiative to oversee and manage our transition away from LIBOR and other Interbank Offered Rates (“IBORs”) to alternative reference rates (“ARRs”). Our transition effort includes but is not limited to:

|  |  |
| --- | --- |
|  |  |
| • | implementing a robust governance framework and transition planning; |

|  |  |
| --- | --- |
|  |  |
| • | identifying and monitoring our LIBOR exposure; |

|  |  |
| --- | --- |
|  |  |
| • | reviewing legal contracts and updating fallback language for new and existing agreements; |

|  |  |
| --- | --- |
|  |  |
| • | engaging with industry working groups, regulators, and our clients; |

|  |  |
| --- | --- |
|  |  |
| • | assessing internal operational readiness and risk management; |

|  |  |
| --- | --- |
|  |  |
| • | evaluating necessary updates to our infrastructure including systems, models, valuation tools and processes; and |

|  |  |
| --- | --- |
|  |  |
| • | monitoring developments associated with LIBOR alternatives and industry practices related to LIBOR-indexed instruments. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 55 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

For a further discussion of the various risks we face in connection with the expected replacement of LIBOR on our operations, see “Part I—Item 1A. Risk Factors—Fluctuations In Market Interest Rates Or Volatility In The Capital Markets Could Adversely Affect Our Income And Expense, The Value Of Assets And Obligations, Our Regulatory Capital, Cost Of Capital Or Liquidity” in our 2018 Form 10-K.

|  |
| --- |
|  |
|  |
| **SUPERVISION AND REGULATION** |

***Capital and Liquidity Update***

In October 2019, the Federal Banking Agencies released the Tailoring Final Rules that provide for tailored application of certain capital, liquidity, and stress testing requirements across different categories of banking institutions. These categories are determined primarily by an institution’s asset size, with adjustments to a more stringent category possible if the institution exceeds certain other risk-based thresholds. As a BHC with total consolidated assets of at least $250 billion that does not exceed any of the applicable risk-based thresholds, we will be a Category III institution under the Tailoring Final Rules. As such, beginning on the Effective Date, we will no longer be subject to the Basel III Advanced Approaches and certain associated capital requirements, although we will remain subject to the countercyclical capital buffer and supplementary leverage ratio, which are currently required only for Basel III Advanced Approaches institutions. Because we will not be subject to the Basel III Advanced Approaches, on the Effective Date we will become subject to the Capital Simplification Rule finalized in July 2019, as described in our Quarterly Report on Form 10-Q for the period ended June 30, 2019 under “MD&A—Supervision and Regulation,” as those changes become effective.

Upon the Effective Date, because we will be a Category III institution with less than $75 billion in weighted average short-term wholesale funding, as defined by the rules, we will be subject to a reduced LCR requirement.

Please see “MD&A—Capital Management” and “MD&A—Liquidity Risk Profile” for a more detailed discussion of the Tailoring Final Rules.

***Nonbank Activities***

In the third quarter of 2019, we acquired United Income, Inc., an SEC-registered investment adviser regulated under the Investment Advisers Act of 1940, and KippsDeSanto & Company, a registered broker-dealer regulated by the SEC and the Financial Industry Regulatory Authority.

We provided additional information on our Supervision and Regulation in our 2018 Form 10-K under “Part I—Item 1. Business—Supervision and Regulation” and our Quarterly Reports on Form 10-Q for the period ended March 31, 2019 and for the period ended June 30, 2019 under “MD&A—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, capital allocation plans, accruals for claims in litigation and for other claims against us; earnings per share, efficiency ratio 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, tariffs, collateral values, consumer income, credit worthiness and confidence, spending and savings that may affect consumer bankruptcies, defaults, charge-offs and deposit activity; |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 56 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |
| --- | --- |
|  |  |
| • | an increase or decrease in credit losses, including increases due to a worsening of general economic conditions in the credit environment, and the impact of inaccurate estimates or inadequate reserves; |

|  |  |
| --- | --- |
|  |  |
| • | compliance with financial, legal, regulatory, tax or accounting changes or actions, including the impacts of the Tax Act, the Dodd-Frank Act, and other regulations governing bank capital and liquidity standards; |

|  |  |
| --- | --- |
|  |  |
| • | our ability to manage effectively our capital and liquidity; |

|  |  |
| --- | --- |
|  |  |
| • | developments, changes or actions relating to any litigation, governmental investigation or regulatory enforcement action or matter involving us, including those relating to U.K. PPI; |

|  |  |
| --- | --- |
|  |  |
| • | the inability to sustain revenue and earnings growth; |

|  |  |
| --- | --- |
|  |  |
| • | increases or decreases in interest rates and uncertainty with respect to the interest rate environment; |

|  |  |
| --- | --- |
|  |  |
| • | our ability to access the capital markets at attractive rates and terms to capitalize and fund our operations and future growth; |

|  |  |
| --- | --- |
|  |  |
| • | 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 amount and rate of deposit growth; |

|  |  |
| --- | --- |
|  |  |
| • | changes in deposit costs; |

|  |  |
| --- | --- |
|  |  |
| • | our ability to execute on our strategic and operational plans; |

|  |  |
| --- | --- |
|  |  |
| • | restructuring activities or other charges; |

|  |  |
| --- | --- |
|  |  |
| • | our response to competitive pressures; |

|  |  |
| --- | --- |
|  |  |
| • | changes in retail distribution strategies and channels, including the emergence of new technologies and product delivery systems; |

|  |  |
| --- | --- |
|  |  |
| • | our success in integrating acquired businesses and loan portfolios, and our ability to realize anticipated benefits from announced transactions and strategic partnerships; |

|  |  |
| --- | --- |
|  |  |
| • | the success of our marketing efforts in attracting and retaining customers; |

|  |  |
| --- | --- |
|  |  |
| • | 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 in the technology platforms on which we rely, including cybersecurity, business continuity and related operational risks, as well as other security failures or breaches of our systems or those of our customers, partners, service providers or other third parties; |

|  |  |
| --- | --- |
|  |  |
| • | the potential impact to our business, operations and reputation from, and expenses and uncertainties associated with, the Cybersecurity Incident we announced on July 29, 2019 and associated legal proceedings and other inquiries or investigations, as discussed in “MD&A—Introduction—Cybersecurity Incident” and “Note 14—Commitments, Contingencies, Guarantees and Others”; |

|  |  |
| --- | --- |
|  |  |
| • | our ability to maintain a compliance and technology infrastructure suitable for the nature of our business; |

|  |  |
| --- | --- |
|  |  |
| • | our ability to develop and adapt to rapid changes in digital technology to address the needs of our customers and comply with applicable regulatory standards, including compliance with data protection and privacy standards; |

|  |  |
| --- | --- |
|  |  |
| • | the effectiveness of our risk management strategies; |

|  |  |
| --- | --- |
|  |  |
| • | our ability to control costs, including the amount of, and rate of growth in, our expenses as our business develops or changes or as it expands into new market areas; |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 57 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |
| --- | --- |
|  |  |
| • | the extensive use, reliability and accuracy of the models and data we rely on in our business; |

|  |  |
| --- | --- |
|  |  |
| • | our ability to recruit and retain talented and experienced personnel; |

|  |  |
| --- | --- |
|  |  |
| • | the impact from, and our ability to respond to, natural disasters and other catastrophic events; |

|  |  |
| --- | --- |
|  |  |
| • | changes in the labor and employment markets; |

|  |  |
| --- | --- |
|  |  |
| • | fraud or misconduct by our customers, employees, business partners or third parties; |

|  |  |
| --- | --- |
|  |  |
| • | merchants’ increasing focus on the fees charged by credit card networks; and |

|  |  |
| --- | --- |
|  |  |
| • | other risk factors identified from time to time in our public disclosures, including in the reports that we file with the SEC. |

Forward-looking statements often use words such as “will,” “anticipate,” “target,” “expect,” “estimate,” “intend,” “plan,” “goal,” “believe,” “forecast,” “outlook” or other words of similar meaning. 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. 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 2018 Form 10-K and the risk factors set forth under “Part II—Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the period ended June 30, 2019. You should carefully consider the factors discussed above, and in our Risk Factors or other disclosure, in evaluating these forward-looking statements.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 58 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |
| --- |
|  |
|  |
| **SUPPLEMENTAL TABLE** |

**Reconciliation of Non-GAAP Measures**

The following non-GAAP measures consist of TCE, tangible assets and metrics computed using these amounts, which include tangible book value per common share, return on average tangible assets, return on average TCE and TCE ratio. We consider these metrics to be key financial performance measures that management uses in assessing capital adequacy and the level of returns generated. While these non-GAAP 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. The following table presents reconciliations of these non-GAAP measures to the applicable amounts measured in accordance with GAAP.

**Table A—Reconciliation of Non-GAAP Measures**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| *(Dollars in millions, except as noted)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |
| **Tangible Common Equity (Period-End)** |  |  | | |  |  | | |
| Stockholders’ equity |  | **$** | **58,235** |  |  | $ | 51,668 |  |
| Goodwill and intangible assets(1) |  | **(14,940** | | **)** |  | (14,941 | | ) |
| Noncumulative perpetual preferred stock |  | **(5,823** | | **)** |  | (4,360 | | ) |
| Tangible common equity |  | **$** | **37,472** |  |  | $ | 32,367 |  |
| **Tangible Common Equity (Quarterly Average)** |  |  | | |  |  | | |
| Stockholders’ equity |  | **$** | **57,245** |  |  | $ | 51,114 |  |
| Goodwill and intangible assets(1) |  | **(14,908** | | **)** |  | (14,953 | | ) |
| Noncumulative perpetual preferred stock |  | **(4,678** | | **)** |  | (4,360 | | ) |
| Tangible common equity |  | **$** | **37,659** |  |  | $ | 31,801 |  |
| **Tangible Assets (Period-End)** |  |  | | |  |  | | |
| Total assets |  | **$** | **378,810** |  |  | $ | 372,538 |  |
| Goodwill and intangible assets(1) |  | **(14,940** | | **)** |  | (14,941 | | ) |
| Tangible assets |  | **$** | **363,870** |  |  | $ | 357,597 |  |
| **Tangible Assets (Quarterly Average)** |  |  | | |  |  | | |
| Total assets |  | **$** | **374,905** |  |  | $ | 365,243 |  |
| Goodwill and intangible assets(1) |  | **(14,908** | | **)** |  | (14,953 | | ) |
| Tangible assets |  | **$** | **359,997** |  |  | $ | 350,290 |  |
| **Non-GAAP Ratio** |  |  | | |  |  | | |
| TCE(2) |  | **10.3** | | **%** |  | 9.1 | | % |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes impact of related deferred taxes. |

|  |  |
| --- | --- |
|  |  |
| (2) | TCE ratio is a non-GAAP measure calculated based on TCE divided by tangible assets. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 59 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |
| --- |
|  |
|  |
| **Glossary and Acronyms** |

**2019 Stock Repurchase Program:** On June 27, 2019, we announced that our Board of Directors authorized the repurchase of up to $2.2 billion of shares of our common stock from the third quarter of 2019 through the end of the second quarter of 2020.

**Annual Report:** References to our “2018 Form 10-K” or “2018 Annual Report” are to our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

**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 billion or more. The Basel III Capital Rule modified the Advanced Approaches version of Basel II to create the Basel III Advanced Approaches.

**Basel III Capital Rule:** The Federal Banking Agencies issued a rule in July 2013 implementing the Basel III capital framework developed by the Basel Committee as well as certain Dodd-Frank Act and other capital provisions.

**Basel III Standardized Approach:** The Basel III Capital 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** or the **Company:** 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, and 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 PCI loans, carrying value represents the present value of all expected cash flows including interest that has not yet been accrued, discounted at the effective interest rate, including any valuation allowance for impaired loans.

**CECL:** In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, Financial Instruments—Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. This ASU requires an impairment model (known as the current expected credit loss (“CECL”) model) that is based on expected rather than incurred losses, with an anticipated result of more timely loss recognition. This guidance is effective for us on January 1, 2020.

**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.

**Common equity Tier 1 capital:** Calculated as the sum of common equity, related surplus and retained earnings, and 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.

**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:** The risk of loss from an obligor’s failure to meet the terms of any contract or otherwise fail to perform as agreed.

**Cybersecurity Incident:** The unauthorized access by an outside individual who obtained certain types of personal information relating to people who had applied for our credit card products and to our credit card customers that we announced on July 29, 2019.

**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 Accounting Standards Codification (“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.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 60 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Dodd-Frank Wall Street Reform and Consumer Protection Act (“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, as amended.

**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 Insurance Corporation.

**Federal Reserve:** The 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 FICO (formerly known as “Fair Isaac Corporation”) utilizing data collected by the credit bureaus.

**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.

**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 (“FHLB”).

**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.

**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 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.

**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.

**LCR Rule:** In September 2014, the Federal Banking Agencies issued final rules implementing the Basel III Liquidity Coverage Ratio in the United States. The LCR is calculated by dividing the amount of an institution’s high quality, unencumbered liquid assets by its estimated net cash outflow, as defined and calculated in accordance with Final LCR Rule.

**Leverage ratio:** Tier 1 capital divided by average assets after certain adjustments, as defined by the regulators.

**Liquidity risk:** 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 securing the loan.

**Managed presentation:** 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:** 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.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 61 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**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 (“MSRs”):** 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:** Generally include loans that have been placed on nonaccrual status. We also do not report loans classified as held for sale as nonperforming.

**Option-ARM loans:** The option-ARM real estate loan product is an adjustable-rate mortgage (“ARM”) 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 whose value is not expected to recover through the holding period of the security.

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

**Purchased credit-impaired (“PCI”) loans:** Loans acquired in a business combination that were recorded at fair value at acquisition and subsequently accounted for based on cash flows expected to be collected in accordance with ASC 310-30,*Loans and Debt Securities Acquired with Deteriorated Credit Quality*.

**Purchase volume:** Consists of purchase transactions, net of returns, for the period, and excludes cash advance and balance transfer transactions.

**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.

**Recorded investment:** The amount of the investment in a loan which includes any direct write-down of the investment.

**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 associated with the realignment of resources supporting various businesses, primarily consisting of severance and related benefits pursuant to our ongoing benefit programs and impairment of certain assets related to business locations and activities being exited.

**Return on average assets:** Calculated based on 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 (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:** A non-GAAP financial measure calculated based on (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 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:** 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.

**Securitized debt obligations:** A type of asset-backed security and structured credit product constructed from a portfolio of fixed-income assets.

**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 FICO scores of 620 or below to be subprime.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 62 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**Tailoring Final Rules:** In October 2019, the Federal Banking Agencies released final rules that provide for tailored application of certain capital, liquidity, and stress testing requirements across different categories of banking institutions. As a bank holding company with total consolidated assets of at least $250 billion that does not exceed any of the applicable risk-based thresholds, we will be a Category III institution under the Tailoring Final Rules.

**Tangible common equity (“TCE”):** A non-GAAP financial measure. Common equity less goodwill and intangible assets adjusted for deferred tax liabilities associated with non-tax deductible intangible assets and tax deductible goodwill.

**Tax Act:** The Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 enacted on December 22, 2017.

**Troubled debt restructuring (“TDR”):** A TDR is deemed to occur when the contractual terms of a loan agreement are modified by granting a concession to a borrower that is experiencing financial difficulty.

**Unfunded commitments:** Legally binding agreements to provide a defined level of financing until a specified future date.

**U.K. PPI Reserve:** U.K. payment protection insurance customer refund reserve.

**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.

**Variable interest entity (“VIE”):** An entity that (i) lacks enough equity investment at risk to permit the entity to finance its activities without additional financial support from other parties; (ii) has equity owners that lack the right to make significant decisions affecting the entity’s operations; and/or (iii) has equity owners that do not have an obligation to absorb or the right to receive the entity’s losses or return.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 63 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |
| --- |
|  |
|  |
| ***Acronyms*** |

**AML:** Anti-money laundering

**AOCI:** Accumulated other comprehensive income

**ASU:** Accounting Standards Update

**ASC:** Accounting Standards Codification

**BHC:** Bank holding company

**bps:** Basis points

**CAD:** Canadian dollar

**CCAR:** Comprehensive Capital Analysis and Review

**CCP:** Central Counterparty Clearinghouse, or Central Clearinghouse

**CDE:** Community development entities

**CECL:** Current expected credit loss

**CEO:** Chief Executive Officer

**CFPB:** Consumer Financial Protection Bureau

**CMBS:** Commercial mortgage-backed securities

**CME:** Chicago Mercantile Exchange

**COEP:** Capital One (Europe) plc

**COF:** Capital One Financial Corporation

**CVA:** Credit valuation adjustment

**DVA:** Debit valuation adjustment

**Fannie Mae:** Federal National Mortgage Association

**FASB:** Financial Accounting Standards Board

**FCA:** U.K. Financial Conduct Authority

**FCM:** Futures commission merchant

**FDIC:** Federal Deposit Insurance Corporation

**FHLB:** Federal Home Loan Banks

**FinCEN**: Financial Crimes Enforcement Network

**Fitch:** Fitch Ratings

**FOS:** Financial Ombudsman Service

**Freddie Mac:** Federal Home Loan Mortgage Corporation

**FVC:** Fair Value Committee

**GAAP:** Generally accepted accounting principles in the U.S.

**GBP:** Great British pound

**Ginnie Mae:** Government National Mortgage Association

**GSE** or **Agency:** Government-sponsored enterprise

**IBOR**: Interbank Offered Rate

**IRM:** Independent Risk Management

**LCH:** LCH Group

**LCR:** Liquidity coverage ratio

**LIBOR:** London Interbank Offered Rate

**Moody’s:** Moody’s Investors Service

**MSRs:** Mortgage servicing rights

**OCC:** Office of the Comptroller of the Currency

**OCI:** Other comprehensive income

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 64 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**OTC:** Over-the-counter

**OTTI:** Other-than-temporary impairment

**PCA:** Prompt corrective action

**PCI:** Purchased credit-impaired

**PCCR:** Purchased credit card relationship

**PPI:** Payment protection insurance

**RMBS:** Residential mortgage-backed securities

**S&P:** Standard & Poor’s

**SEC:** U.S. Securities and Exchange Commission

**TCE:** Tangible common equity

**TDR:** Troubled debt restructuring

**U.K.:** United Kingdom

**U.S.:** United States of America

**VAC:** Valuations Advisory Committee

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 65 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

|  |  |
| --- | --- |
|  | |
|  |  |
| **Item 1. Financial Statements and Notes** | |
|  | **Page** |
| [Consolidated Financial Statements](#s322E63E32629589A84CA22CBB99C9A47) | [66](#s322E63E32629589A84CA22CBB99C9A47) |
| [Consolidated Statements of Income](#sB2482CCF10E85CBD897A6CC630059318) | [67](#sB2482CCF10E85CBD897A6CC630059318) |
| [Consolidated Statements of Comprehensive Income](#s7F581B43EC2D5409AE4CF95014AFACD8) | [68](#s7F581B43EC2D5409AE4CF95014AFACD8) |
| [Consolidated Balance Sheets](#s10F714F81DAB52D595C8416A76C32873) | [69](#s10F714F81DAB52D595C8416A76C32873) |
| [Consolidated Statements of Changes in Stockholders’ Equity](#s6779EE62C689570FA81B46B5218755BC) | [70](#s6779EE62C689570FA81B46B5218755BC) |
| [Consolidated Statements of Cash Flows](#s12CEBC7049D45A5FB6280DB47E5D084B) | [71](#s12CEBC7049D45A5FB6280DB47E5D084B) |
| [Notes to Consolidated Financial Statements](#s1C48E13E46F5575B9CF1D65F83D669FD) | [72](#s1C48E13E46F5575B9CF1D65F83D669FD) |
| [Note 1—Summary of Significant Accounting Policies](#s1C48E13E46F5575B9CF1D65F83D669FD) | [72](#s1C48E13E46F5575B9CF1D65F83D669FD) |
| [Note 2—Leases](#sF7741E14E80B56B0AAE963C51788F26A) | [74](#sF7741E14E80B56B0AAE963C51788F26A) |
| [Note 3—Investment Securities](#s6CF169B93F595E3BB10FA7BEF8CC4AA3) | [76](#s6CF169B93F595E3BB10FA7BEF8CC4AA3) |
| [Note 4—Loans](#sDFB9701EC93B55C3927AFF211A6AE933) | [82](#sDFB9701EC93B55C3927AFF211A6AE933) |
| [Note 5—Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments](#s88F0E4D7019A50548157DC1535B194F2) | [94](#s88F0E4D7019A50548157DC1535B194F2) |
| [Note 6—Variable Interest Entities and Securitizations](#sE391F54D16345485B01A1DA4577C8CF2) | [98](#sE391F54D16345485B01A1DA4577C8CF2) |
| [Note 7—Goodwill and Intangible Assets](#s91F7CC48CE4C5BB182F950DE81BCAE59) | [102](#s91F7CC48CE4C5BB182F950DE81BCAE59) |
| [Note 8—Deposits and Borrowings](#sFA051E3F790856DFBB5A7C484F979727) | [104](#sFA051E3F790856DFBB5A7C484F979727) |
| [Note 9—Derivative Instruments and Hedging Activities](#s186EBC054AC85325A6A3FBDA7F5516D5) | [105](#s186EBC054AC85325A6A3FBDA7F5516D5) |
| [Note 10—Stockholders’ Equity](#s65C6C6AC4AEC536EBC666E0BAA4D433C) | [115](#s65C6C6AC4AEC536EBC666E0BAA4D433C) |
| [Note 11—Earnings Per Common Share](#s653334226586522B9ED4F25F37A2D8D4) | [119](#s653334226586522B9ED4F25F37A2D8D4) |
| [Note 12—Fair Value Measurement](#s793E3E21991256C5BC8215BD3EF26CA5) | [120](#s793E3E21991256C5BC8215BD3EF26CA5) |
| [Note 13—Business Segments and Revenue from Contracts with Customers](#s0FCB44A0A5BE5B83BE1559696A2E2534) | [128](#s0FCB44A0A5BE5B83BE1559696A2E2534) |
| [Note 14—Commitments, Contingencies, Guarantees and Others](#sDFE375F199F95E068DB63FB66C7A488A) | [132](#sDFE375F199F95E068DB63FB66C7A488A) |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 66 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**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)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| **Interest income:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Loans, including loans held for sale |  | **$** | **6,429** |  |  | $ | 6,247 |  |  | **$** | **19,180** |  |  | $ | 18,370 |  |
| Investment securities |  | **583** | |  |  | 593 | |  |  | **1,867** | |  |  | 1,584 | |  |
| Other |  | **63** | |  |  | 55 | |  |  | **196** | |  |  | 174 | |  |
| Total interest income |  | **7,075** | |  |  | 6,895 | |  |  | **21,243** | |  |  | 20,128 | |  |
| **Interest expense:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Deposits |  | **901** | |  |  | 681 | |  |  | **2,588** | |  |  | 1,842 | |  |
| Securitized debt obligations |  | **123** | |  |  | 127 | |  |  | **405** | |  |  | 358 | |  |
| Senior and subordinated notes |  | **299** | |  |  | 288 | |  |  | **923** | |  |  | 828 | |  |
| Other borrowings |  | **15** | |  |  | 13 | |  |  | **53** | |  |  | 45 | |  |
| Total interest expense |  | **1,338** | |  |  | 1,109 | |  |  | **3,969** | |  |  | 3,073 | |  |
| Net interest income |  | **5,737** | |  |  | 5,786 | |  |  | **17,274** | |  |  | 17,055 | |  |
| Provision for credit losses |  | **1,383** | |  |  | 1,268 | |  |  | **4,418** | |  |  | 4,218 | |  |
| Net interest income after provision for credit losses |  | **4,354** | |  |  | 4,518 | |  |  | **12,856** | |  |  | 12,837 | |  |
| **Non-interest income:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Interchange fees, net |  | **790** | |  |  | 714 | |  |  | **2,368** | |  |  | 2,080 | |  |
| Service charges and other customer-related fees |  | **283** | |  |  | 410 | |  |  | **988** | |  |  | 1,233 | |  |
| Net securities gains (losses) |  | **5** | |  |  | (196 | | ) |  | **44** | |  |  | (189 | | ) |
| Other |  | **144** | |  |  | 248 | |  |  | **492** | |  |  | 884 | |  |
| Total non-interest income |  | **1,222** | |  |  | 1,176 | |  |  | **3,892** | |  |  | 4,008 | |  |
| **Non-interest expense:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Salaries and associate benefits |  | **1,605** | |  |  | 1,432 | |  |  | **4,736** | |  |  | 4,382 | |  |
| Occupancy and equipment |  | **519** | |  |  | 515 | |  |  | **1,533** | |  |  | 1,508 | |  |
| Marketing |  | **501** | |  |  | 504 | |  |  | **1,564** | |  |  | 1,343 | |  |
| Professional services |  | **314** | |  |  | 275 | |  |  | **919** | |  |  | 719 | |  |
| Communications and data processing |  | **312** | |  |  | 311 | |  |  | **944** | |  |  | 934 | |  |
| Amortization of intangibles |  | **25** | |  |  | 44 | |  |  | **84** | |  |  | 131 | |  |
| Other |  | **596** | |  |  | 692 | |  |  | **1,542** | |  |  | 1,753 | |  |
| Total non-interest expense |  | **3,872** | |  |  | 3,773 | |  |  | **11,322** | |  |  | 10,770 | |  |
| Income from continuing operations before income taxes |  | **1,704** | |  |  | 1,921 | |  |  | **5,426** | |  |  | 6,075 | |  |
| Income tax provision |  | **375** | |  |  | 420 | |  |  | **1,071** | |  |  | 1,314 | |  |
| Income from continuing operations, net of tax |  | **1,329** | |  |  | 1,501 | |  |  | **4,355** | |  |  | 4,761 | |  |
| Income (loss) from discontinued operations, net of tax |  | **4** | |  |  | 1 | |  |  | **15** | |  |  | (7 | | ) |
| **Net income** |  | **1,333** | |  |  | 1,502 | |  |  | **4,370** | |  |  | 4,754 | |  |
| Dividends and undistributed earnings allocated to participating securities |  | **(10** | | **)** |  | (9 | | ) |  | **(34** | | **)** |  | (32 | | ) |
| Preferred stock dividends |  | **(53** | | **)** |  | (53 | | ) |  | **(185** | | **)** |  | (185 | | ) |
| **Net income available to common stockholders** |  | **$** | **1,270** |  |  | $ | 1,440 |  |  | **$** | **4,151** |  |  | $ | 4,537 |  |
| **Basic earnings per common share:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Net income from continuing operations |  | **$** | **2.70** |  |  | $ | 3.01 |  |  | **$** | **8.80** |  |  | $ | 9.40 |  |
| Income (loss) from discontinued operations |  | **0.01** | |  |  | 0.00 | |  |  | **0.03** | |  |  | (0.01 | | ) |
| Net income per basic common share |  | **$** | **2.71** |  |  | $ | 3.01 |  |  | **$** | **8.83** |  |  | $ | 9.39 |  |
| **Diluted earnings per common share:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Net income from continuing operations |  | **$** | **2.68** |  |  | $ | 2.99 |  |  | **$** | **8.76** |  |  | $ | 9.33 |  |
| Income (loss) from discontinued operations |  | **0.01** | |  |  | 0.00 | |  |  | **0.03** | |  |  | (0.01 | | ) |
| Net income per diluted common share |  | **$** | **2.69** |  |  | $ | 2.99 |  |  | **$** | **8.79** |  |  | $ | 9.32 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| See Notes to Consolidated Financial Statements. | | |
|  | 67 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| **Net income** |  | **$** | **1,333** |  |  | $ | 1,502 |  |  | **$** | **4,370** |  |  | $ | 4,754 |  |
| **Other comprehensive income (loss), net of tax:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Net unrealized gains (losses) on securities available for sale |  | **100** | |  |  | (23 | | ) |  | **664** | |  |  | (673 | | ) |
| Net changes in securities held to maturity |  | **8** | |  |  | 8 | |  |  | **20** | |  |  | 441 | |  |
| Net unrealized gains (losses) on hedging relationships |  | **189** | |  |  | (81 | | ) |  | **1,003** | |  |  | (512 | | ) |
| Foreign currency translation adjustments |  | **(12** | | **)** |  | 13 | |  |  | **33** | |  |  | (4 | | ) |
| Other |  | **(2** | | **)** |  | (1 | | ) |  | **(4** | | **)** |  | (2 | | ) |
| Other comprehensive income (loss), net of tax |  | **283** | |  |  | (84 | | ) |  | **1,716** | |  |  | (750 | | ) |
| **Comprehensive income** |  | **$** | **1,616** |  |  | $ | 1,418 |  |  | **$** | **6,086** |  |  | $ | 4,004 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| See Notes to Consolidated Financial Statements. | | |
|  | 68 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| *(Dollars in millions, except per share-related data)* |  | **September 30,  2019** | | |  | **December 31,  2018** | | |
| **Assets:** |  |  | | |  |  | | |
| Cash and cash equivalents: |  |  | | |  |  | | |
| Cash and due from banks |  | **$** | **4,452** |  |  | $ | 4,768 |  |
| Interest-bearing deposits and other short-term investments |  | **12,668** | |  |  | 8,418 | |  |
| Total cash and cash equivalents |  | **17,120** | |  |  | 13,186 | |  |
| Restricted cash for securitization investors |  | **417** | |  |  | 303 | |  |
| Investment securities: |  |  | | |  |  | | |
| Securities available for sale |  | **46,168** | |  |  | 46,150 | |  |
| Securities held to maturity |  | **33,894** | |  |  | 36,771 | |  |
| Total investment securities |  | **80,062** | |  |  | 82,921 | |  |
| Loans held for investment: |  |  | | |  |  | | |
| Unsecuritized loans held for investment |  | **215,892** | |  |  | 211,702 | |  |
| Loans held in consolidated trusts |  | **33,463** | |  |  | 34,197 | |  |
| Total loans held for investment |  | **249,355** | |  |  | 245,899 | |  |
| Allowance for loan and lease losses |  | **(7,037** | | **)** |  | (7,220 | | ) |
| Net loans held for investment |  | **242,318** | |  |  | 238,679 | |  |
| Loans held for sale, at lower of cost or fair value |  | **1,245** | |  |  | 1,192 | |  |
| Premises and equipment, net |  | **4,311** | |  |  | 4,191 | |  |
| Interest receivable |  | **1,627** | |  |  | 1,614 | |  |
| Goodwill |  | **14,624** | |  |  | 14,544 | |  |
| Other assets |  | **17,086** | |  |  | 15,908 | |  |
| **Total assets** |  | **$** | **378,810** |  |  | $ | 372,538 |  |
|  |  |  | | |  |  | | |
| **Liabilities:** |  |  | | |  |  | | |
| Interest payable |  | **$** | **370** |  |  | $ | 458 |  |
| Deposits: |  |  | | |  |  | | |
| Non-interest-bearing deposits |  | **23,064** | |  |  | 23,483 | |  |
| Interest-bearing deposits |  | **234,084** | |  |  | 226,281 | |  |
| Total deposits |  | **257,148** | |  |  | 249,764 | |  |
| Securitized debt obligations |  | **18,910** | |  |  | 18,307 | |  |
| Other debt: |  |  | | |  |  | | |
| Federal funds purchased and securities loaned or sold under agreements to repurchase |  | **464** | |  |  | 352 | |  |
| Senior and subordinated notes |  | **30,682** | |  |  | 30,826 | |  |
| Other borrowings |  | **93** | |  |  | 9,420 | |  |
| Total other debt |  | **31,239** | |  |  | 40,598 | |  |
| Other liabilities |  | **12,908** | |  |  | 11,743 | |  |
| **Total liabilities** |  | **320,575** | |  |  | 320,870 | |  |
| Commitments, contingencies and guarantees (see Note 14) |  |  | | |  |  | | |
| **Stockholders’ equity:** |  |  | | |  |  | | |
| Preferred stock (par value $.01 per share; 50,000,000 shares authorized; 5,975,000 and 4,475,000 shares issued and outstanding as of September 30, 2019 and December 31, 2018, respectively) |  | **0** | |  |  | 0 | |  |
| Common stock (par value $.01 per share; 1,000,000,000 shares authorized; 672,084,002 and 667,969,069 shares issued as of September 30, 2019 and December 31, 2018, respectively, 465,720,986 and 467,717,306 shares outstanding as of September 30, 2019 and December 31, 2018, respectively) |  | **7** | |  |  | 7 | |  |
| Additional paid-in capital, net |  | **33,826** | |  |  | 32,040 | |  |
| Retained earnings |  | **39,476** | |  |  | 35,875 | |  |
| Accumulated other comprehensive income (loss) |  | **453** | |  |  | (1,263 | | ) |
| Treasury stock, at cost (par value $.01 per share; 206,363,016 and 200,251,763 shares as of September 30, 2019 and December 31, 2018, respectively) |  | **(15,527** | | **)** |  | (14,991 | | ) |
| **Total stockholders’ equity** |  | **58,235** | |  |  | 51,668 | |  |
| **Total liabilities and stockholders’ equity** |  | **$** | **378,810** |  |  | $ | 372,538 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| See Notes to Consolidated Financial Statements. | | |
|  | 69 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY (UNAUDITED)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **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, 2018** |  | 4,475,000 |  |  | $ | 0 |  |  | 667,969,069 |  |  | $ | 7 |  |  | $ | 32,040 |  |  | $ | 35,875 |  |  | $ | (1,263 | ) |  | $ | (14,991 | ) |  | $ | 51,668 |  |
| Cumulative effects from adoption of new lease standard |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | (11 | | ) |  |  | | |  |  | | |  | (11 | | ) |
| Comprehensive income |  |  | |  |  | | |  |  |  |  |  | | |  |  | |  |  | 1,412 | |  |  | 603 | |  |  |  | | |  | 2,015 | |  |
| Dividends—common stock(1) |  |  | |  |  | | |  | 32,700 |  |  | 0 | |  |  | 3 | |  |  | (194 | | ) |  |  | | |  |  | | |  | (191 | | ) |
| Dividends—preferred stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | (52 | | ) |  |  | | |  |  | |  |  | (52 | | ) |
| Purchases of treasury stock |  |  | |  |  | | |  |  |  |  |  | |  |  |  | |  |  |  | | |  |  | | |  | (65 | | ) |  | (65 | | ) |
| Issuances of common stock and restricted stock, net of forfeitures |  |  | |  |  | | |  | 2,641,635 |  |  | 0 | |  |  | 52 | |  |  |  | | |  |  | | |  |  | | |  | 52 | |  |
| Exercises of stock options |  |  |  |  |  | | |  | 5,000 |  |  | 0 | |  |  | 0 | |  |  |  | | |  |  | | |  |  | | |  | 0 | |  |
| Compensation expense for restricted stock units and stock options |  |  | |  |  | | |  |  | |  |  | | |  | 65 | |  |  |  | | |  |  | | |  |  | | |  | 65 | |  |
| **Balance as of March 31, 2019** |  | 4,475,000 |  |  | $ | 0 |  |  | 670,648,404 |  |  | $ | 7 |  |  | $ | 32,160 |  |  | $ | 37,030 |  |  | $ | (660 | ) |  | $ | (15,056 | ) |  | $ | 53,481 |  |
| Comprehensive income |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | 1,625 | |  |  | 830 | |  |  |  | | |  | 2,455 | |  |
| Dividends—common stock(1) |  |  | |  |  | | |  | 8,680 |  |  | 0 | |  |  | 1 | |  |  | (189 | | ) |  |  | | |  |  | | |  | (188 | | ) |
| Dividends—preferred stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | (80 | | ) |  |  | | |  |  | | |  | (80 | | ) |
| Purchases of treasury stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  |  | | |  |  | | |  | (2 | | ) |  | (2 | | ) |
| Issuances of common stock and restricted stock, net of forfeitures |  |  | |  |  | | |  | 745,017 |  |  | 0 | |  |  | 46 | |  |  |  | | |  |  | | |  |  | | |  | 46 | |  |
| Exercises of stock options |  |  | |  |  | | |  | 4,000 |  |  | 0 | |  |  | 0 | |  |  |  | | |  |  | | |  |  | | |  | 0 | |  |
| Compensation expense for restricted stock units and stock options |  |  | |  |  | | |  |  | |  |  | | |  | 55 | |  |  |  | | |  |  | | |  |  | | |  | 55 | |  |
| **Balance as of June 30, 2019** |  | 4,475,000 |  |  | $ | 0 |  |  | 671,406,101 |  |  | $ | 7 |  |  | $ | 32,262 |  |  | $ | 38,386 |  |  | $ | 170 |  |  | $ | (15,058 | ) |  | $ | 55,767 |  |
| Comprehensive income |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | **1,333** | |  |  | **283** | |  |  |  | | |  | **1,616** | |  |
| Dividends—common stock(1) |  |  | |  |  | | |  | **4,646** |  |  | **0** | |  |  | **0** | |  |  | **(190** | | **)** |  |  | | |  |  | | |  | **(190** | | **)** |
| Dividends—preferred stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | **(53** | | **)** |  |  | | |  |  | | |  | **(53** | | **)** |
| Purchases of treasury stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  |  | | |  |  | | |  | **(469** | | **)** |  | **(469** | | **)** |
| Issuances of common stock and restricted stock, net of forfeitures |  |  | |  |  | | |  | **673,255** |  |  | **0** | |  |  | **55** | |  |  |  | | |  |  | | |  |  | | |  | **55** | |  |
| Exercises of stock options |  |  | |  |  | | |  | **0** |  |  | **0** | |  |  | **0** | |  |  |  | | |  |  | | |  |  | | |  | **0** | |  |
| Issuances of preferred stock |  | **1,500,000** |  |  | **0** | |  |  |  | |  |  | | |  | **1,463** | |  |  |  | | |  |  | | |  |  | | |  | **1,463** | |  |
| Compensation expense for restricted stock units and stock options |  |  | |  |  | | |  |  | |  |  | | |  | **46** | |  |  |  | | |  |  | | |  |  | | |  | **46** | |  |
| **Balance as of September 30, 2019** |  | **5,975,000** |  |  | **$** | **0** |  |  | **672,084,002** |  |  | **$** | **7** |  |  | **$** | **33,826** |  |  | **$** | **39,476** |  |  | **$** | **453** |  |  | **$** | **(15,527** | **)** |  | **$** | **58,235** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **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, 2017** |  | 4,475,000 |  |  | $ | 0 |  |  | 661,724,927 |  |  | $ | 7 |  |  | $ | 31,656 |  |  | $ | 30,700 |  |  | $ | (926 | ) |  | $ | (12,707 | ) |  | $ | 48,730 |  |
| Cumulative effects from adoption of new accounting standards |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | 201 | |  |  | (201 | | ) |  |  | | |  | 0 | |  |
| Comprehensive income (loss) |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | 1,346 | |  |  | (472 | | ) |  |  | | |  | 874 | |  |
| Dividends—common stock(1) |  |  | |  |  | | |  | 22,467 |  |  | 0 | |  |  | 2 | |  |  | (199 | | ) |  |  | | |  |  | | |  | (197 | | ) |
| Dividends—preferred stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | (52 | | ) |  |  | | |  |  | | |  | (52 | | ) |
| Purchases of treasury stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  |  | | |  |  | | |  | (273 | | ) |  | (273 | | ) |
| Issuances of common stock and restricted stock, net of forfeitures |  |  | |  |  | | |  | 2,452,786 |  |  | 0 | |  |  | 49 | |  |  |  | | |  |  | | |  |  | | |  | 49 | |  |
| Exercises of stock options and warrants |  |  | |  |  | | |  | 675,871 |  |  | 0 | |  |  | 14 | |  |  |  | | |  |  | | |  |  | | |  | 14 | |  |
| Compensation expense for restricted stock awards, restricted stock units and stock options |  |  | |  |  | | |  |  | |  |  | | |  | 58 | |  |  |  | | |  |  | | |  |  | | |  | 58 | |  |
| **Balance as of March 31, 2018** |  | 4,475,000 |  |  | $ | 0 |  |  | 664,876,051 |  |  | $ | 7 |  |  | $ | 31,779 |  |  | $ | 31,996 |  |  | $ | (1,599 | ) |  | $ | (12,980 | ) |  | $ | 49,203 |  |
| Comprehensive income (loss) |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | 1,906 | |  |  | (194 | | ) |  |  | | |  | 1,712 | |  |
| Dividends—common stock(1) |  |  | |  |  | | |  | 4,371 |  |  | 0 | |  |  | 0 | |  |  | (196 | | ) |  |  | | |  |  | | |  | (196 | | ) |
| Dividends—preferred stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | (80 | | ) |  |  | | |  |  | | |  | (80 | | ) |
| Purchases of treasury stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  |  | | |  |  | | |  | (802 | | ) |  | (802 | | ) |
| Issuances of common stock and restricted stock, net of forfeitures |  |  | |  |  | | |  | 571,514 |  |  | 0 | |  |  | 41 | |  |  |  | | |  |  | | |  |  | | |  | 41 | |  |
| Exercises of stock options and warrants |  |  | |  |  | | |  | 403,835 |  |  | 0 | |  |  | 6 | |  |  |  | | |  |  | | |  |  | | |  | 6 | |  |
| Compensation expense for restricted stock awards, restricted stock units and stock options |  |  | |  |  | | |  |  | |  |  | | |  | 42 | |  |  |  | | |  |  | | |  |  | | |  | 42 | |  |
| **Balance as of June 30, 2018** |  | 4,475,000 |  |  | $ | 0 |  |  | 665,855,771 |  |  | $ | 7 |  |  | $ | 31,868 |  |  | $ | 33,626 |  |  | $ | (1,793 | ) |  | $ | (13,782 | ) |  | $ | 49,926 |  |
| Comprehensive income (loss) |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | 1,502 | |  |  | (84 | | ) |  |  | | |  | 1,418 | |  |
| Dividends—common stock(1) |  |  | |  |  | | |  | 4,196 |  |  | 0 | |  |  | 1 | |  |  | (192 | | ) |  |  | | |  |  | | |  | (191 | | ) |
| Dividends—preferred stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  | (53 | | ) |  |  | | |  |  | | |  | (53 | | ) |
| Purchases of treasury stock |  |  | |  |  | | |  |  | |  |  | | |  |  | | |  |  | | |  |  | | |  | (571 | | ) |  | (571 | | ) |
| Issuances of common stock and restricted stock, net of forfeitures |  |  | |  |  | | |  | 544,466 |  |  | 0 | |  |  | 47 | |  |  |  | | |  |  | | |  |  | | |  | 47 | |  |
| Exercises of stock options and warrants |  |  | |  |  | | |  | 504,262 |  |  | 0 | |  |  | 18 | |  |  |  | | |  |  | | |  |  | | |  | 18 | |  |
| Compensation expense for restricted stock awards, restricted stock units and stock options |  |  | |  |  | | |  |  | |  |  | | |  | 44 | |  |  |  | | |  |  | | |  |  | | |  | 44 | |  |
| **Balance as of September 30, 2018** |  | 4,475,000 |  |  | $ | 0 |  |  | 666,908,695 |  |  | $ | 7 |  |  | $ | 31,978 |  |  | $ | 34,883 |  |  | $ | (1,877 | ) |  | $ | (14,353 | ) |  | $ | 50,638 |  |

**\_\_\_\_\_\_\_\_\_\_**

|  |  |
| --- | --- |
|  |  |
| (1) | We declared dividend per share on our common stock of $0.40 in the third quarter of 2019 and 2018, and $1.20 in the first nine months of 2019 and 2018. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| See Notes to Consolidated Financial Statements. | | |
|  | 70 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |
| **Operating activities:** |  |  | | |  |  | | |
| Income from continuing operations, net of tax |  | **$** | **4,355** |  |  | $ | 4,761 |  |
| Income (loss) from discontinued operations, net of tax |  | **15** | |  |  | (7 | | ) |
| Net income |  | **4,370** | |  |  | 4,754 | |  |
| Adjustments to reconcile net income to net cash from operating activities: |  |  | | |  |  | | |
| Provision for credit losses |  | **4,418** | |  |  | 4,218 | |  |
| Depreciation and amortization, net |  | **2,434** | |  |  | 1,721 | |  |
| Deferred tax provision (benefit) |  | **(72** | | **)** |  | 149 | |  |
| Net securities losses (gains) |  | **(44** | | **)** |  | 189 | |  |
| Gain on sales of loans |  | **(53** | | **)** |  | (539 | | ) |
| Stock-based compensation expense |  | **175** | |  |  | 153 | |  |
| Other |  | **0** | |  |  | (51 | | ) |
| Loans held for sale: |  |  | | |  |  | | |
| Originations and purchases |  | **(8,064** | | **)** |  | (6,285 | | ) |
| Proceeds from sales and paydowns |  | **8,126** | |  |  | 5,707 | |  |
| Changes in operating assets and liabilities: |  |  | | |  |  | | |
| Changes in interest receivable |  | **(13** | | **)** |  | 18 | |  |
| Changes in other assets |  | **1,852** | |  |  | (118 | | ) |
| Changes in interest payable |  | **(88** | | **)** |  | (22 | | ) |
| Changes in other liabilities |  | **(522** | | **)** |  | (856 | | ) |
| **Net cash from operating activities** |  | **12,519** | |  |  | 9,038 | |  |
| **Investing activities:** |  |  | | |  |  | | |
| Securities available for sale: |  |  | | |  |  | | |
| Purchases |  | **(8,919** | | **)** |  | (11,136 | | ) |
| Proceeds from paydowns and maturities |  | **6,099** | |  |  | 5,839 | |  |
| Proceeds from sales |  | **4,226** | |  |  | 3,512 | |  |
| Securities held to maturity: |  |  | | |  |  | | |
| Purchases |  | **(396** | | **)** |  | (16,373 | | ) |
| Proceeds from paydowns and maturities |  | **3,209** | |  |  | 1,839 | |  |
| Loans: |  |  | | |  |  | | |
| Net changes in loans held for investment |  | **(10,555** | | **)** |  | 9,646 | |  |
| Principal recoveries of loans previously charged off |  | **1,947** | |  |  | 1,927 | |  |
| Net purchases of premises and equipment |  | **(631** | | **)** |  | (669 | | ) |
| Net cash from acquisition activities |  | **(85** | | **)** |  | 0 | |  |
| Net cash from other investing activities |  | **(781** | | **)** |  | (456 | | ) |
| **Net cash from investing activities** |  | **(5,886** | | **)** |  | (5,871 | | ) |
|  |  |  | | |  |  | | |
|  |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |
| **Financing activities:** |  |  | | |  |  | | |
| Deposits and borrowings: |  |  | | |  |  | | |
| Changes in deposits |  | **$** | **7,072** |  |  | $ | 3,667 |  |
| Issuance of securitized debt obligations |  | **6,656** | |  |  | 997 | |  |
| Maturities and paydowns of securitized debt obligations |  | **(6,222** | | **)** |  | (2,248 | | ) |
| Issuance of senior and subordinated notes and long-term FHLB advances |  | **4,142** | |  |  | 5,977 | |  |
| Maturities and paydowns of senior and subordinated notes and long-term FHLB advances |  | **(5,595** | | **)** |  | (12,958 | | ) |
| Changes in other borrowings |  | **(8,964** | | **)** |  | 914 | |  |
| Common stock: |  |  | | |  |  | | |
| Net proceeds from issuances |  | **153** | |  |  | 137 | |  |
| Dividends paid |  | **(569** | | **)** |  | (584 | | ) |
| Preferred stock: |  |  | | |  |  | | |
| Net proceeds from issuances |  | **1,463** | |  |  | 0 | |  |
| Dividends paid |  | **(185** | | **)** |  | (185 | | ) |
| Purchases of treasury stock |  | **(536** | | **)** |  | (1,646 | | ) |
| Proceeds from share-based payment activities |  | **0** | |  |  | 38 | |  |
| **Net cash from financing activities** |  | **(2,585** | | **)** |  | (5,891 | | ) |
| Changes in cash, cash equivalents and restricted cash for securitization investors |  | **4,048** | |  |  | (2,724 | | ) |
| Cash, cash equivalents and restricted cash for securitization investors, beginning of the period |  | **13,489** | |  |  | 14,352 | |  |
| Cash, cash equivalents and restricted cash for securitization investors, end of the period |  | **$** | **17,537** |  |  | $ | 11,628 |  |
| **Supplemental cash flow information:** |  |  | | |  |  | | |
| Non-cash items: |  |  | | |  |  | | |
| Net transfers from loans held for investment to loans held for sale |  | **$** | **1,494** |  |  | $ | 779 |  |
| Interest paid |  | **3,689** | |  |  | 2,881 | |  |
| Income tax paid |  | **364** | |  |  | 375 | |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| See Notes to Consolidated Financial Statements. | | |
|  | 71 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**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, 2019, 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.”

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 organized for management reporting purposes into three major business segments, which are defined primarily based on the products and services provided or the types of customer served: Credit Card, Consumer Banking and Commercial Banking. We provide details on our business segments, the integration of recent acquisitions, if any, into our business segments and the allocation methodologies and accounting policies used to derive our business segment results in “Note 13—Business Segments and Revenue from Contracts with Customers.”

**Basis of Presentation and Use of Estimates**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. (“U.S. GAAP”). The preparation of the consolidated 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 judgments, actual amounts or results could differ from these estimates. In the opinion of management, all normal, recurring adjustments have been included for a fair statement of this interim financial information.Certain prior period amounts have been reclassified to conform to the current period presentation.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, and related notes thereto, included in Capital One Financial Corporation’s 2018 Annual Report on Form 10-K (“2018 Form 10-K”).

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 72 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Newly Adopted Accounting Standards During the Nine Months Ended September 30, 2019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
| **Standard** |  | **Guidance** |  | **Adoption Timing and Financial Statements Impacts** |
| **Premium Amortization on Callable Debt**  Accounting Standards Update (“ASU”) No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): *Premium Amortization on Purchased Callable Debt Securities*  *Issued March 2017* |  | Shortens the amortization period from the contractual life to the earliest call date for certain purchased callable debt securities held at a premium. |  | We adopted this guidance in the first quarter of 2019 using the modified retrospective method of adoption.  Our adoption of this standard did not have a material impact on our consolidated financial statements. |
|  |  |  |  |  |
| **Leases**  ASU No. 2016-02, Leases (Topic 842)  *Issued February 2016* |  | Requires lessees to recognize right of use assets and lease liabilities on their consolidated balance sheets and disclose key information about all their leasing arrangements, with certain practical expedients. |  | We adopted this guidance in the first quarter of 2019, using the modified retrospective method of adoption without restating prior periods.  We elected the practical expedients that permitted us to not reassess the lease classification of existing leases, whether existing contracts contain a lease or the treatment of initial direct costs on existing leases.  Upon adoption, we recorded a lease liability of $1.9 billion and right of use asset of $1.6 billion, which is net of other lease-related balances. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 73 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 2—LEASES** |

**Leases**

In the first quarter of 2019, we adopted ASU No. 2016-02, Leases (Topic 842), see “Note 1—Summary of Significant Accounting Policies” for the impacts upon adoption. Our primary involvement with leases is in the capacity as a lessee where we lease premises to support our business. A majority of our leases are operating leases of office space, retail bank branches and Cafés. For real estate leases, we have elected to account for the lease and non-lease components together as a single lease component. Our operating leases expire at various dates through 2071, and many of them require variable lease payments by us, of property taxes, insurance premiums, common area maintenance and other costs. Certain of these leases also have extension or termination options, and we assess the likelihood of exercising such options. If it is reasonably certain that we will exercise the options, then we include the impact in the measurement of our right-of-use assets and lease liabilities.

Our right-of-use assets and lease liabilities for operating leases are included in other assets and other liabilities on our consolidated balance sheets. As most of our operating leases do not provide an implicit rate, we use our incremental borrowing rate in determining the present value of lease payments. Our operating lease expense is included in occupancy and equipment within non-interest expense in our consolidated statements of income. Total operating lease expense consists of operating lease cost, which is recognized on a straight-line basis over the lease term, and variable lease cost, which is recognized based on actual amounts incurred. We also sublease certain premises, and sublease income is included in other non-interest income in our consolidated statements of income.

The following tables present information about our operating lease portfolio and the related lease costs as of and for the three and nine months ended September 30, 2019.

**Table 2.1 Operating Lease Portfolio**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
| *(Dollars in millions)* |  | **September 30, 2019** | | |
| Right-of-use assets |  | **$** | **1,448** |  |
| Lease liabilities |  | **1,745** | |  |
| Weighted-average remaining lease term |  | **9.0 years** | |  |
| Weighted-average discount rate |  | **3.3** | | **%** |

**Table 2.2 Total Operating Lease Expense and Other Information**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **Three Months Ended September 30, 2019** | | |  | **Nine Months Ended September 30, 2019** | | |
| Operating lease cost |  | **$** | **85** |  |  | **$** | **232** |  |
| Variable lease cost |  | **10** | |  |  | **30** | |  |
| Total lease cost |  | **95** | |  |  | **262** | |  |
| Sublease income |  | **(7** | | **)** |  | **(19** | | **)** |
| Net lease cost |  | **$** | **88** |  |  | **$** | **243** |  |
| Cash paid for amounts included in the measurement of lease liabilities |  | **$** | **84** |  |  | **$** | **246** |  |
| Right-of-use assets obtained in exchange for lease liabilities |  | **21** | |  |  | **47** | |  |
| Right-of-use assets recognized upon adoption of new lease standard |  | **0** | |  |  | **1,601** | |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 74 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents a maturity analysis of our operating leases and a reconciliation of the undiscounted cash flows to our lease liabilities as of September 30, 2019.

**Table 2.3 Maturities of Operating Leases and Reconciliation to Lease Liabilities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
| *(Dollars in millions)* |  | **September 30, 2019** | | |
| 2019 |  | **$** | **75** |  |
| 2020 |  | **300** | |  |
| 2021 |  | **269** | |  |
| 2022 |  | **246** | |  |
| 2023 |  | **217** | |  |
| Thereafter |  | **946** | |  |
| Total undiscounted lease payments |  | **2,053** | |  |
| Less: Imputed interest |  | **(308** | | **)** |
| Total lease liabilities |  | **$** | **1,745** |  |

As of September 30, 2019, we had approximately $89 million and $93 million of right-of-use assets and lease liabilities, respectively, for finance leases with a weighted-average remaining lease term of 6.0 years. These right-of-use assets and lease liabilities are included in premises and equipment, net and other borrowings, respectively, on our consolidated balance sheets. We recognized $6 million and $17 million of total finance lease expense for the three and nine months ended September 30, 2019, respectively.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 75 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 3—INVESTMENT SECURITIES** |

Our investment securities portfolio consists primarily of the following: U.S. Treasury securities; U.S. government-sponsored enterprise or agency (“Agency”) and non-agency residential mortgage-backed securities (“RMBS”); Agency commercial mortgage-backed securities (“CMBS”); and other securities. Agency securities include Government National Mortgage Association (“Ginnie Mae”) guaranteed securities, Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”) issued securities. The carrying value of our investments in U.S. Treasury and Agency securities represented 96% of our total investment securities portfolio as of both September 30, 2019 and December 31, 2018.

We classify investment securities as either available for sale or held to maturity. As of both September 30, 2019 and December 31, 2018, we had investment securities available for sale of $46.2 billion and as of September 30, 2019 and December 31, 2018, we had investment securities held to maturity of $33.9 billion and $36.8 billion, respectively.

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of securities available for sale as of September 30, 2019 and December 31, 2018.

**Table 3.1: Investment Securities Available for Sale**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Amortized**  **Cost** | | |  | **Gross**  **Unrealized**  **Gains** | | |  | **Gross**  **Unrealized**  **Losses** | | |  | **Fair**  **Value** | | |
| **Investment securities available for sale:** |  |  | | |  |  | | |  |  | | |  |  | | |
| U.S. Treasury securities |  | **$** | **4,173** |  |  | **$** | **3** |  |  | **$** | **(21** | **)** |  | **$** | **4,155** |  |
| RMBS: |  |  | | |  |  | | |  |  | | |  |  | | |
| Agency |  | **33,727** | |  |  | **239** | |  |  | **(253** | | **)** |  | **33,713** | |  |
| Non-agency |  | **1,313** | |  |  | **300** | |  |  | **(1** | | **)** |  | **1,612** | |  |
| Total RMBS |  | **35,040** | |  |  | **539** | |  |  | **(254** | | **)** |  | **35,325** | |  |
| Agency CMBS |  | **5,368** | |  |  | **48** | |  |  | **(20** | | **)** |  | **5,396** | |  |
| Other securities(1) |  | **1,291** | |  |  | **2** | |  |  | **(1** | | **)** |  | **1,292** | |  |
| Total investment securities available for sale |  | **$** | **45,872** |  |  | **$** | **592** |  |  | **$** | **(296** | **)** |  | **$** | **46,168** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Amortized**  **Cost** | | |  | **Gross**  **Unrealized**  **Gains** | | |  | **Gross**  **Unrealized**  **Losses** | | |  | **Fair**  **Value** | | |
| **Investment securities available for sale:** |  |  | | |  |  | | |  |  | | |  |  | | |
| U.S. Treasury securities |  | $ | 6,146 |  |  | $ | 15 |  |  | $ | (17 | ) |  | $ | 6,144 |  |
| RMBS: |  |  | | |  |  | | |  |  | | |  |  | | |
| Agency |  | 32,710 | |  |  | 62 | |  |  | (869 | | ) |  | 31,903 | |  |
| Non-agency |  | 1,440 | |  |  | 304 | |  |  | (2 | | ) |  | 1,742 | |  |
| Total RMBS |  | 34,150 | |  |  | 366 | |  |  | (871 | | ) |  | 33,645 | |  |
| Agency CMBS |  | 4,806 | |  |  | 11 | |  |  | (78 | | ) |  | 4,739 | |  |
| Other securities(1) |  | 1,626 | |  |  | 2 | |  |  | (6 | | ) |  | 1,622 | |  |
| Total investment securities available for sale |  | $ | 46,728 |  |  | $ | 394 |  |  | $ | (972 | ) |  | $ | 46,150 |  |

**\_\_\_\_\_\_\_\_\_\_**

|  |  |
| --- | --- |
|  |  |
| (1) | Includes primarily supranational bonds, foreign government bonds and other asset-backed securities. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 76 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The table below presents the amortized cost, carrying value, gross unrealized gains and losses, and fair value of securities held to maturity as of September 30, 2019 and December 31, 2018.

**Table 3.2: Investment Securities Held to Maturity**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Amortized**  **Cost** | | |  | **Unrealized Losses Recorded in AOCI** | | |  | **Carrying Value** | | |  | **Gross**  **Unrealized**  **Gains** | | |  | **Gross**  **Unrealized**  **Losses** | | |  | **Fair**  **Value** | | |
| Agency RMBS |  | **$** | **30,322** |  |  | **$** | **(213** | **)** |  | **$** | **30,109** |  |  | **$** | **1,194** |  |  | **$** | **(14** | **)** |  | **$** | **31,289** |  |
| Agency CMBS |  | **3,797** | |  |  | **(12** | | **)** |  | **3,785** | |  |  | **191** | |  |  | **(1** | | **)** |  | **3,975** | |  |
| Total investment securities held to maturity |  | **$** | **34,119** |  |  | **$** | **(225** | **)** |  | **$** | **33,894** |  |  | **$** | **1,385** |  |  | **$** | **(15** | **)** |  | **$** | **35,264** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Amortized**  **Cost** | | |  | **Unrealized Losses Recorded in AOCI** | | |  | **Carrying Value** | | |  | **Gross**  **Unrealized**  **Gains** | | |  | **Gross**  **Unrealized**  **Losses** | | |  | **Fair**  **Value** | | |
| Agency RMBS |  | $ | 33,299 |  |  | $ | (238 | ) |  | $ | 33,061 |  |  | $ | 293 |  |  | $ | (377 | ) |  | $ | 32,977 |  |
| Agency CMBS |  | 3,723 | |  |  | (13 | | ) |  | 3,710 | |  |  | 21 | |  |  | (89 | | ) |  | 3,642 | |  |
| Total investment securities held to maturity |  | $ | 37,022 |  |  | $ | (251 | ) |  | $ | 36,771 |  |  | $ | 314 |  |  | $ | (466 | ) |  | $ | 36,619 |  |

**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, 2019 and December 31, 2018.

**Table 3.3: Securities in a Gross Unrealized Loss Position**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **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 |  | **$** | **3,603** |  |  | **$** | **(21** | **)** |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **3,603** |  |  | **$** | **(21** | **)** |
| RMBS: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Agency |  | **5,205** | |  |  | **(21** | | **)** |  | **11,155** | |  |  | **(232** | | **)** |  | **16,360** | |  |  | **(253** | | **)** |
| Non-agency |  | **28** | |  |  | **(1** | | **)** |  | **3** | |  |  | **0** | |  |  | **31** | |  |  | **(1** | | **)** |
| Total RMBS |  | **5,233** | |  |  | **(22** | | **)** |  | **11,158** | |  |  | **(232** | | **)** |  | **16,391** | |  |  | **(254** | | **)** |
| Agency CMBS |  | **1,162** | |  |  | **(5** | | **)** |  | **1,528** | |  |  | **(15** | | **)** |  | **2,690** | |  |  | **(20** | | **)** |
| Other securities |  | **463** | |  |  | **(1** | | **)** |  | **176** | |  |  | **0** | |  |  | **639** | |  |  | **(1** | | **)** |
| Total investment securities available for sale in a gross unrealized loss position |  | **$** | **10,461** |  |  | **$** | **(49** | **)** |  | **$** | **12,862** |  |  | **$** | **(247** | **)** |  | **$** | **23,323** |  |  | **$** | **(296** | **)** |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 77 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **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 |  | $ | 2,543 |  |  | $ | (3 | ) |  | $ | 1,076 |  |  | $ | (14 | ) |  | $ | 3,619 |  |  | $ | (17 | ) |
| RMBS: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Agency |  | 7,863 | |  |  | (260 | | ) |  | 18,118 | |  |  | (609 | | ) |  | 25,981 | |  |  | (869 | | ) |
| Non-agency |  | 89 | |  |  | (2 | | ) |  | 10 | |  |  | 0 | |  |  | 99 | |  |  | (2 | | ) |
| Total RMBS |  | 7,952 | |  |  | (262 | | ) |  | 18,128 | |  |  | (609 | | ) |  | 26,080 | |  |  | (871 | | ) |
| Agency CMBS |  | 2,004 | |  |  | (31 | | ) |  | 1,540 | |  |  | (47 | | ) |  | 3,544 | |  |  | (78 | | ) |
| Other securities |  | 244 | |  |  | (1 | | ) |  | 678 | |  |  | (5 | | ) |  | 922 | |  |  | (6 | | ) |
| Total investment securities available for sale in a gross unrealized loss position |  | $ | 12,743 |  |  | $ | (297 | ) |  | $ | 21,422 |  |  | $ | (675 | ) |  | $ | 34,165 |  |  | $ | (972 | ) |

As of September 30, 2019, the amortized cost of approximately 700 securities available for sale exceeded their fair value by $296 million, of which $247 million related to securities that had been in a loss position for 12 months or longer. As of September 30, 2019, the carrying value of approximately 70 securities classified as held to maturity exceeded their fair value by $15 million.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 78 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Maturities and Yields of Investment Securities**

The table below summarizes, by major security type, the contractual maturities and weighted-average yields of our investment securities as of September 30, 2019. 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 below. The weighted-average yield below represents the effective yield for the investment securities and is calculated based on the amortized cost of each security.

**Table 3.4: Contractual Maturities and Weighted-Average Yields of Securities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | |
| *(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 |  | **$** | **0** |  |  | **$** | **1,483** |  |  | **$** | **2,672** |  |  | **$** | **0** |  |  | **$** | **4,155** |  |
| RMBS(1): |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Agency |  | **1** | |  |  | **28** | |  |  | **731** | |  |  | **32,953** | |  |  | **33,713** | |  |
| Non-agency |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **1,612** | |  |  | **1,612** | |  |
| Total RMBS |  | **1** | |  |  | **28** | |  |  | **731** | |  |  | **34,565** | |  |  | **35,325** | |  |
| Agency CMBS(1) |  | **11** | |  |  | **1,833** | |  |  | **2,298** | |  |  | **1,254** | |  |  | **5,396** | |  |
| Other securities |  | **459** | |  |  | **533** | |  |  | **300** | |  |  | **0** | |  |  | **1,292** | |  |
| Total securities available for sale |  | **$** | **471** |  |  | **$** | **3,877** |  |  | **$** | **6,001** |  |  | **$** | **35,819** |  |  | **$** | **46,168** |  |
| **Amortized cost of securities available for sale** |  | **$** | **471** |  |  | **$** | **3,877** |  |  | **$** | **5,992** |  |  | **$** | **35,532** |  |  | **$** | **45,872** |  |
| **Weighted-average yield for securities available for sale** |  | **1.51** | | **%** |  | **2.45** | | **%** |  | **2.65** | | **%** |  | **3.09** | | **%** |  | **2.96** | | **%** |
| **Carrying value of securities held to maturity:** | | | | | | | | | | | | | | | | | | | | |
| Agency RMBS(1) |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **85** |  |  | **$** | **30,024** |  |  | **$** | **30,109** |  |
| Agency CMBS(1) |  | **0** | |  |  | **59** | |  |  | **829** | |  |  | **2,897** | |  |  | **3,785** | |  |
| Total securities held to maturity |  | **$** | **0** |  |  | **$** | **59** |  |  | **$** | **914** |  |  | **$** | **32,921** |  |  | **$** | **33,894** |  |
| **Fair value of securities held to maturity** |  | **$** | **0** |  |  | **$** | **62** |  |  | **$** | **974** |  |  | **$** | **34,228** |  |  | **$** | **35,264** |  |
| **Weighted-average yield for securities held to maturity** |  | **N/A** | |  |  | **3.65** | | **%** |  | **3.12** | | **%** |  | **3.24** | | **%** |  | **3.24** | | **%** |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | As of September 30, 2019, the weighted-average expected maturities of RMBS and Agency CMBS are 5.0 years and 5.4 years, respectively. |

**Other-Than-Temporary Impairment**

We evaluate all securities in an unrealized loss position at least quarterly, and more often as market conditions require, to assess whether the impairment is other-than-temporary. Our other-than-temporary impairment (“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, 2019, we had sold all securities previously designated with the intent to sell, and did not intend to sell, nor believe that we will be required to sell, any other security in an unrealized loss position prior to the recovery of its amortized cost basis.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 79 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 at the security’s effective yield.

**Realized Gains and Losses on Securities and OTTI Recognized in Earnings**

The following table presents the gross realized gains or losses and proceeds from the sale of securities available for sale for the three and nine months ended September 30, 2019 and 2018. We did not sell any investment securities that were classified as held to maturity.

**Table 3.5: Realized Gains and Losses on Securities and OTTI Recognized in Earnings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| **Realized gains (losses):** |  |  | | |  |  | | |  |  | | |  |  | | |
| Gross realized gains |  | **$** | **5** |  |  | $ | 4 |  |  | **$** | **44** |  |  | $ | 12 |  |
| Gross realized losses |  | **0** | |  |  | 0 | |  |  | **0** | |  |  | (1 | | ) |
| Net realized gains (losses) |  | **5** | |  |  | 4 | |  |  | **44** | |  |  | 11 | |  |
| **OTTI recognized in earnings:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Intent-to-sell OTTI |  | **0** | |  |  | (200 | | ) |  | **0** | |  |  | (200 | | ) |
| Total OTTI recognized in earnings |  | **0** | |  |  | (200 | | ) |  | **0** | |  |  | (200 | | ) |
| **Net securities gains (losses)** |  | **$** | **5** |  |  | $ | (196 | ) |  | **$** | **44** |  |  | $ | (189 | ) |
| **Total proceeds from sales** |  | **$** | **243** |  |  | $ | 2,454 |  |  | **$** | **4,226** |  |  | $ | 3,512 |  |

The cumulative credit loss component of the OTTI losses that have been recognized in our consolidated statements of income related to the securities that we do not intend to sell was $137 million and $140 million as of September 30, 2019 and December 31, 2018, respectively.

**Securities Pledged and Received**

We pledged securities available for sale and held to maturity totaling $14.8 billion and $16.3 billion as of September 30, 2019 and December 31, 2018, respectively. These securities are pledged to primarily secure Federal Home Loan Banks (“FHLB”) advances and Public Funds deposits, as well as for other purposes as required or permitted by law. We accepted pledges of securities with a fair value of approximately $1 million as of both September 30, 2019 and December 31, 2018, related to our derivative transactions.

**Purchased Credit-Impaired Debt Securities**

The table below presents the outstanding balance and carrying value of the purchased credit-impaired debt securities as of September 30, 2019 and December 31, 2018.

**Table 3.6: Outstanding Balance and Carrying Value of Purchased Credit-Impaired Debt Securities**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **September 30, 2019** | | |  | **December 31, 2018** | | |
| Outstanding balance |  | **$** | **1,586** |  |  | $ | 1,784 |  |
| Carrying value |  | **1,435** | |  |  | 1,537 | |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 80 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***Changes in Accretable Yield of Purchased Credit-Impaired Debt Securities***

The following table presents changes in the accretable yield related to the purchased credit-impaired debt securities for the three and nine months ended September 30, 2019 and 2018.

**Table 3.7: Changes in the Accretable Yield of Purchased Credit-Impaired Debt Securities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| Accretable yield, beginning of period |  | $ | 591 |  |  | $ | 768 |  |  | $ | 698 |  |  | $ | 826 |  |
| Accretion recognized in earnings |  | **(41** | | **)** |  | (37 | | ) |  | **(128** | | **)** |  | (115 | | ) |
| Reduction due to payoffs, disposals, transfers and other |  | **(1** | | **)** |  | 0 | |  |  | **(4** | | **)** |  | (3 | | ) |
| Net reclassifications (to) from nonaccretable difference |  | **(16** | | **)** |  | 42 | |  |  | **(33** | | **)** |  | 65 | |  |
| Accretable yield, end of period |  | **$** | **533** |  |  | $ | 773 |  |  | **$** | **533** |  |  | $ | 773 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 81 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**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 loans held in our consolidated trusts, and loans held for sale, and is divided into three portfolio segments: credit card, consumer banking and commercial banking. Credit card loans consist of domestic and international credit card loans. Consumer banking loans consist of auto and retail banking loans and in prior periods also consisted of home loans. Commercial banking loans primarily consist of commercial and multifamily real estate as well as commercial and industrial loans. We sold all of our consumer home loan portfolio and the related servicing during 2018. The information presented in this section excludes loans held for sale, which are carried at lower of cost or fair value.

**Credit Quality**

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency rates 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 commercial loans.

The table below presents the composition and an aging analysis of our loans held for investment as of September 30, 2019 and December 31, 2018. The delinquency aging includes all past due loans, both performing and nonperforming.

**Table 4.1: Loan Portfolio Composition and Aging Analysis**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Current** | | |  | **30-59**  **Days** | | |  | **60-89**  **Days** | | |  | **> 90**  **Days** | | |  | **Total**  **Delinquent**  **Loans** | | |  | **PCI**  **Loans** | | |  | **Total**  **Loans** | | |
| **Credit Card:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Domestic credit card |  | **$** | **100,784** |  |  | **$** | **1,175** |  |  | **$** | **832** |  |  | **$** | **1,873** |  |  | **$** | **3,880** |  |  | **$** | **0** |  |  | **$** | **104,664** |  |
| International card businesses |  | **8,683** | |  |  | **128** | |  |  | **81** | |  |  | **125** | |  |  | **334** | |  |  | **0** | |  |  | **9,017** | |  |
| Total credit card |  | **109,467** | |  |  | **1,303** | |  |  | **913** | |  |  | **1,998** | |  |  | **4,214** | |  |  | **0** | |  |  | **113,681** | |  |
| **Consumer Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Auto |  | **55,071** | |  |  | **2,607** | |  |  | **1,258** | |  |  | **342** | |  |  | **4,207** | |  |  | **0** | |  |  | **59,278** | |  |
| Retail banking |  | **2,690** | |  |  | **24** | |  |  | **7** | |  |  | **14** | |  |  | **45** | |  |  | **2** | |  |  | **2,737** | |  |
| Total consumer banking |  | **57,761** | |  |  | **2,631** | |  |  | **1,265** | |  |  | **356** | |  |  | **4,252** | |  |  | **2** | |  |  | **62,015** | |  |
| **Commercial Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commercial and multifamily real estate |  | **29,930** | |  |  | **18** | |  |  | **7** | |  |  | **33** | |  |  | **58** | |  |  | **21** | |  |  | **30,009** | |  |
| Commercial and industrial |  | **43,404** | |  |  | **57** | |  |  | **79** | |  |  | **100** | |  |  | **236** | |  |  | **10** | |  |  | **43,650** | |  |
| Total commercial banking |  | **73,334** | |  |  | **75** | |  |  | **86** | |  |  | **133** | |  |  | **294** | |  |  | **31** | |  |  | **73,659** | |  |
| Total loans(1) |  | **$** | **240,562** |  |  | **$** | **4,009** |  |  | **$** | **2,264** |  |  | **$** | **2,487** |  |  | **$** | **8,760** |  |  | **$** | **33** |  |  | **$** | **249,355** |  |
| % of Total loans |  | **96.5** | | **%** |  | **1.6** | | **%** |  | **0.9** | | **%** |  | **1.0** | | **%** |  | **3.5** | | **%** |  | **0.0** | | **%** |  | **100.0** | | **%** |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 82 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Current** | | |  | **30-59**  **Days** | | |  | **60-89**  **Days** | | |  | **> 90**  **Days** | | |  | **Total**  **Delinquent**  **Loans** | | |  | **PCI Loans** | | |  | **Total**  **Loans** | | |
| **Credit Card:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Domestic credit card |  | $ | 103,014 |  |  | $ | 1,270 |  |  | $ | 954 |  |  | $ | 2,111 |  |  | $ | 4,335 |  |  | $ | 1 |  |  | $ | 107,350 |  |
| International card businesses |  | 8,678 | |  |  | 127 | |  |  | 78 | |  |  | 128 | |  |  | 333 | |  |  | 0 | |  |  | 9,011 | |  |
| Total credit card |  | 111,692 | |  |  | 1,397 | |  |  | 1,032 | |  |  | 2,239 | |  |  | 4,668 | |  |  | 1 | |  |  | 116,361 | |  |
| **Consumer Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Auto |  | 52,032 | |  |  | 2,624 | |  |  | 1,326 | |  |  | 359 | |  |  | 4,309 | |  |  | 0 | |  |  | 56,341 | |  |
| Retail banking |  | 2,809 | |  |  | 23 | |  |  | 8 | |  |  | 20 | |  |  | 51 | |  |  | 4 | |  |  | 2,864 | |  |
| Total consumer banking |  | 54,841 | |  |  | 2,647 | |  |  | 1,334 | |  |  | 379 | |  |  | 4,360 | |  |  | 4 | |  |  | 59,205 | |  |
| **Commercial Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commercial and multifamily real estate |  | 28,737 | |  |  | 101 | |  |  | 20 | |  |  | 19 | |  |  | 140 | |  |  | 22 | |  |  | 28,899 | |  |
| Commercial and industrial |  | 40,704 | |  |  | 135 | |  |  | 43 | |  |  | 101 | |  |  | 279 | |  |  | 108 | |  |  | 41,091 | |  |
| Total commercial lending |  | 69,441 | |  |  | 236 | |  |  | 63 | |  |  | 120 | |  |  | 419 | |  |  | 130 | |  |  | 69,990 | |  |
| Small-ticket commercial real estate |  | 336 | |  |  | 2 | |  |  | 1 | |  |  | 4 | |  |  | 7 | |  |  | 0 | |  |  | 343 | |  |
| Total commercial banking |  | 69,777 | |  |  | 238 | |  |  | 64 | |  |  | 124 | |  |  | 426 | |  |  | 130 | |  |  | 70,333 | |  |
| Total loans(1) |  | $ | 236,310 |  |  | $ | 4,282 |  |  | $ | 2,430 |  |  | $ | 2,742 |  |  | $ | 9,454 |  |  | $ | 135 |  |  | $ | 245,899 |  |
| % of Total loans |  | 96.1 | | % |  | 1.7 | | % |  | 1.0 | | % |  | 1.1 | | % |  | 3.8 | | % |  | 0.1 | | % |  | 100.0 | | % |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Loans, other than PCI loans, include unamortized premiums and discounts, and unamortized deferred fees and costs totaling $1.0 billion and $818 million as of September 30, 2019 and December 31, 2018, respectively. |

We pledged loan collateral of $14.4 billion and $15.8 billion to secure a portion of our FHLB borrowing capacity of $19.2 billion and $19.3 billion as of September 30, 2019 and December 31, 2018, respectively. We also pledged loan collateral of $7.2 billion and $9.2 billion to secure our Federal Reserve Discount Window borrowing capacity of $5.8 billion and $7.6 billion as of September 30, 2019 and December 31, 2018, respectively. In addition to loans pledged, we securitized a portion of our credit card and auto loans. See “Note 6—Variable Interest Entities and Securitizations” for additional information.

The following table 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, 2019 and December 31, 2018. Nonperforming loans generally include loans that have been placed on nonaccrual status. PCI loans are excluded from the table below. See “Note 1—Summary of Significant Accounting Policies” in our 2018 Form 10-K for additional information on our policies for nonperforming loans and accounting for PCI loans.

**Table 4.2: 90+ Day Delinquent Loans Accruing Interest and Nonperforming Loans**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | |  | **December 31, 2018** | | | | | | |
| *(Dollars in millions)* |  | **> 90 Days and Accruing** | | |  | **Nonperforming**  **Loans** | | |  | **> 90 Days and Accruing** | | |  | **Nonperforming**  **Loans** | | |
| **Credit Card:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Domestic credit card |  | **$** | **1,873** |  |  | **N/A** | |  |  | $ | 2,111 |  |  | N/A | |  |
| International card businesses |  | **119** | |  |  | **$** | **23** |  |  | 122 | |  |  | $ | 22 |  |
| Total credit card |  | **1,992** | |  |  | **23** | |  |  | 2,233 | |  |  | 22 | |  |
| **Consumer Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Auto |  | **0** | |  |  | **432** | |  |  | 0 | |  |  | 449 | |  |
| Retail banking |  | **0** | |  |  | **25** | |  |  | 0 | |  |  | 30 | |  |
| Total consumer banking |  | **0** | |  |  | **457** | |  |  | 0 | |  |  | 479 | |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 83 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | |  | **December 31, 2018** | | | | | | |
| *(Dollars in millions)* |  | **> 90 Days and Accruing** | | |  | **Nonperforming**  **Loans** | | |  | **> 90 Days and Accruing** | | |  | **Nonperforming**  **Loans** | | |
| **Commercial Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Commercial and multifamily real estate |  | **$** | **31** |  |  | **$** | **36** |  |  | $ | 0 |  |  | $ | 83 |  |
| Commercial and industrial |  | **0** | |  |  | **413** | |  |  | 0 | |  |  | 223 | |  |
| Total commercial lending |  | **31** | |  |  | **449** | |  |  | 0 | |  |  | 306 | |  |
| Small-ticket commercial real estate |  | **0** | |  |  | **0** | |  |  | 0 | |  |  | 6 | |  |
| Total commercial banking |  | **31** | |  |  | **449** | |  |  | 0 | |  |  | 312 | |  |
| Total |  | **$** | **2,023** |  |  | **$** | **929** |  |  | $ | 2,233 |  |  | $ | 813 |  |
| % of Total loans held for investment |  | **0.8** | | **%** |  | **0.4** | | **%** |  | 0.9 | | % |  | 0.3 | | % |

**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 based on portfolios with common risk characteristics. The risk in our credit card loan portfolio correlates to broad economic trends, such as unemployment rates and home values, as well as consumers’ financial condition, all of which can have a material effect on credit performance. The primary indicators we assess in monitoring the credit quality and risk of our credit card loan portfolio are delinquency and charge-off trends, including an analysis of loan migration between delinquency categories over time.

The table below displays the geographic profile of our credit card loan portfolio as of September 30, 2019 and December 31, 2018.

**Table 4.3: Credit Card Risk Profile by Geographic Region**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | |  | **December 31, 2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **% of**  **Total** | |  | **Amount** | | |  | **% of**  **Total** | |
| **Domestic credit card:** |  |  | | |  |  | |  |  | | |  |  | |
| California |  | **$** | **11,297** |  |  | **9.9** | **%** |  | $ | 11,591 |  |  | 10.0 | % |
| Texas |  | **8,078** | |  |  | **7.1** |  |  | 8,173 | |  |  | 7.0 |  |
| New York |  | **7,224** | |  |  | **6.4** |  |  | 7,400 | |  |  | 6.4 |  |
| Florida |  | **7,009** | |  |  | **6.2** |  |  | 7,086 | |  |  | 6.1 |  |
| Illinois |  | **4,574** | |  |  | **4.0** |  |  | 4,761 | |  |  | 4.1 |  |
| Pennsylvania |  | **4,382** | |  |  | **3.9** |  |  | 4,575 | |  |  | 3.9 |  |
| Ohio |  | **3,818** | |  |  | **3.4** |  |  | 3,967 | |  |  | 3.4 |  |
| New Jersey |  | **3,541** | |  |  | **3.1** |  |  | 3,641 | |  |  | 3.1 |  |
| Michigan |  | **3,415** | |  |  | **3.0** |  |  | 3,544 | |  |  | 3.0 |  |
| Other |  | **51,326** | |  |  | **45.1** |  |  | 52,612 | |  |  | 45.3 |  |
| Total domestic credit card |  | **104,664** | |  |  | **92.1** |  |  | 107,350 | |  |  | 92.3 |  |
| **International card businesses:** |  |  | | |  |  | |  |  | | |  |  | |
| Canada |  | **6,155** | |  |  | **5.4** |  |  | 6,023 | |  |  | 5.1 |  |
| United Kingdom |  | **2,862** | |  |  | **2.5** |  |  | 2,988 | |  |  | 2.6 |  |
| Total international card businesses |  | **9,017** | |  |  | **7.9** |  |  | 9,011 | |  |  | 7.7 |  |
| Total credit card |  | **$** | **113,681** |  |  | **100.0** | **%** |  | $ | 116,361 |  |  | 100.0 | % |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 84 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The table below presents net charge-offs for the three and nine months ended September 30, 2019 and 2018.

**Table 4.4: Credit Card Net Charge-Offs**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | | | | |
|  |  | **2019** | | | | | |  | **2018** | | | | | |  | **2019** | | | | | |  | **2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |
| **Net charge-offs:(1)** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Domestic credit card |  | **$** | **1,065** |  |  | **4.12** | **%** |  | $ | 1,094 |  |  | 4.35 | % |  | **$** | **3,599** |  |  | **4.67** | **%** |  | $ | 3,581 |  |  | 4.78 | % |
| International card businesses |  | **86** | |  |  | **3.78** |  |  | 43 | |  |  | 1.92 |  |  | **236** | |  |  | **3.54** |  |  | 193 | |  |  | 2.85 |  |
| Total credit card |  | **$** | **1,151** |  |  | **4.09** |  |  | $ | 1,137 |  |  | 4.15 |  |  | **$** | **3,835** |  |  | **4.58** |  |  | $ | 3,774 |  |  | 4.62 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Net charge-offs consist of the unpaid principal balance of loans held for investment that we determine to be uncollectible, net of recovered amounts. Net charge-off rate is calculated by dividing annualized net charge-offs by average loans held for investment for the period for each loan category. Net charge-offs and the net charge-off rates are impacted periodically by fluctuations in recoveries, including loan sales. |

**Consumer Banking**

Our consumer banking loan portfolio consists of auto 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, gross domestic product and home values, as well as consumers’ financial condition, all of which can have a material effect on credit performance. Delinquency, nonperforming loans and charge-off trends are key indicators we assess in monitoring the credit quality and risk of our consumer banking loan portfolio.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 85 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The table below displays the geographic profile of our consumer banking loan portfolio as of September 30, 2019 and December 31, 2018.

**Table 4.5: Consumer Banking Risk Profile by Geographic Region**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | |  | **December 31, 2018** | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **% of Total** | |  | **Amount** | | |  | **% of Total** | |
| **Auto:** |  |  | | |  |  | |  |  | | |  |  | |
| Texas |  | **$** | **7,541** |  |  | **12.2** | **%** |  | $ | 7,264 |  |  | 12.3 | % |
| California |  | **6,786** | |  |  | **10.9** |  |  | 6,352 | |  |  | 10.7 |  |
| Florida |  | **4,891** | |  |  | **7.9** |  |  | 4,623 | |  |  | 7.8 |  |
| Georgia |  | **2,712** | |  |  | **4.4** |  |  | 2,665 | |  |  | 4.5 |  |
| Ohio |  | **2,633** | |  |  | **4.2** |  |  | 2,502 | |  |  | 4.2 |  |
| Pennsylvania |  | **2,286** | |  |  | **3.7** |  |  | 2,167 | |  |  | 3.7 |  |
| Illinois |  | **2,210** | |  |  | **3.6** |  |  | 2,171 | |  |  | 3.7 |  |
| Louisiana |  | **2,104** | |  |  | **3.4** |  |  | 2,174 | |  |  | 3.7 |  |
| Other |  | **28,115** | |  |  | **45.3** |  |  | 26,423 | |  |  | 44.6 |  |
| Total auto |  | **59,278** | |  |  | **95.6** |  |  | 56,341 | |  |  | 95.2 |  |
| **Retail banking:** |  |  | | |  |  | |  |  | | |  |  | |
| New York |  | **799** | |  |  | **1.3** |  |  | 837 | |  |  | 1.4 |  |
| Louisiana |  | **729** | |  |  | **1.2** |  |  | 772 | |  |  | 1.3 |  |
| Texas |  | **604** | |  |  | **0.9** |  |  | 647 | |  |  | 1.1 |  |
| New Jersey |  | **194** | |  |  | **0.3** |  |  | 201 | |  |  | 0.3 |  |
| Maryland |  | **158** | |  |  | **0.3** |  |  | 161 | |  |  | 0.3 |  |
| Virginia |  | **126** | |  |  | **0.2** |  |  | 137 | |  |  | 0.2 |  |
| Other |  | **127** | |  |  | **0.2** |  |  | 109 | |  |  | 0.2 |  |
| Total retail banking |  | **2,737** | |  |  | **4.4** |  |  | 2,864 | |  |  | 4.8 |  |
| Total consumer banking |  | **$** | **62,015** |  |  | **100.0** | **%** |  | $ | 59,205 |  |  | 100.0 | % |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 86 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The table below presents net charge-offs in our consumer banking loan portfolio for the three and nine months ended September 30, 2019 and 2018, as well as nonperforming loans as of September 30, 2019 and December 31, 2018.

**Table 4.6: Consumer Banking Net Charge-Offs (Recoveries) and Nonperforming Loans**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | |  | |  | |  |  | |  | | |  |  |  | |  | | | |  |  |  | | |  | |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | |  | | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | |  | **2018** | | | | | |  | | **2019** | | | | | | | | | | |  | **2018** | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Amount** | | |  | **Rate(1)** | |  | **Amount** | | |  | **Rate(1)** | |  | | **Amount** | | | | |  | | **Rate(1)** | | | |  | **Amount** | | | | | | |  | **Rate(1)** | | | | |
| **Net charge-offs (recoveries):** |  |  | | |  |  | |  |  | | |  |  | |  | |  | | | | |  | |  | | | |  |  | | | | | | |  |  | | | | |
| Auto |  | **$** | **234** |  |  | **1.60** | **%** |  | $ | 243 |  |  | 1.73 | % |  | | **$** | | **592** | |  |  | | **1.38** | | | **%** |  | $ | | 633 | | | |  |  | 1.53 | | | % | |
| Retail banking |  | **17** | |  |  | **2.55** |  |  | 19 | |  |  | 2.62 |  |  | | **52** | | | |  |  | | **2.51** | | |  |  | 51 | | | | | |  |  | 2.18 | | |  | |
| Home loan |  | **0** | |  |  | **0.00** |  |  | 0 | |  |  | 0.00 |  |  | | **0** | | | |  |  | | **0.00** | | |  |  | (1 | | | | | | ) |  | (0.02 | | | ) | |
| Total consumer banking |  | **$** | **251** |  |  | **1.64** |  |  | $ | 262 |  |  | 1.77 |  |  | | **$** | | **644** | |  |  | | **1.43** | | |  |  | $ | | 683 | | | |  |  | 1.36 | | |  | |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | | | |  | |  | |  | | |  | |  |  | | | |  | |  |  |  | | | |  |  | |  | |  |
|  | | | | | | | | | | | | | | | |  | | **September 30, 2019** | | | | | | | | | | | | | |  | **December 31, 2018** | | | | | | | | | | |
| *(Dollars in millions)* | | | | | | | | | | | | | | | |  | | **Amount** | | | | | | |  | **Rate(2)** | | | | | |  | **Amount** | | | | | |  | | **Rate(2)** | | |
| **Nonperforming loans:** | | | | | | | | | | | | | | | |  | |  | | | | | | |  |  | | | | | |  |  | | | | | |  | |  | | |
| Auto | | | | | | | | | | | | | | | |  | | **$** | | **432** | | |  | |  | **0.73** | | | | **%** | |  | $ | 449 | | | |  |  | | 0.80 | | % |
| Retail banking | | | | | | | | | | | | | | | |  | | **25** | | | | |  | |  | **0.91** | | | |  | |  | 30 | | | | |  |  | | 1.04 | |  |
| Total consumer banking | | | | | | | | | | | | | | | |  | | **$** | | **457** | | |  | |  | **0.74** | | | |  | |  | $ | 479 | | | |  |  | | 0.81 | |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Net charge-off (recovery) rates are calculated by dividing annualized net charge-offs (recoveries) by average loans held for investment for the period for each loan category. |

|  |  |
| --- | --- |
|  |  |
| (2) | Nonperforming loan rates are calculated based on nonperforming loans for each category divided by period-end total loans held for investment for each respective category. |

**Commercial Banking**

We evaluate the credit risk of commercial loans using a risk rating system. We assign internal risk ratings to loans based on relevant information about the ability of the borrowers to repay their debt. In determining the risk rating of a particular loan, some of the factors considered are the borrower’s current financial condition, historical and projected future credit performance, prospects for support from financially responsible guarantors, the estimated realizable value of any collateral and current economic trends. The 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 full 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. Generally, loans that are designated as criticized performing and criticized nonperforming are reviewed quarterly by management to determine if they are appropriately classified/rated and whether any impairment exists. Noncriticized loans are also generally reviewed, at least annually, to determine the appropriate risk rating. In addition, we evaluate the risk rating during the renewal process of any loan or if a loan becomes past due.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 87 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents the geographic concentration and internal risk ratings of our commercial loan portfolio as of September 30, 2019 and December 31, 2018.

**Table 4.7: Commercial Banking Risk Profile by Geographic Region and Internal Risk Rating**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Commercial**  **and**  **Multifamily**  **Real Estate** | | |  | **% of**  **Total** | |  | **Commercial**  **and**  **Industrial** | | |  | **% of**  **Total** | |  | **Total**  **Commercial Banking** | | |  | **% of**  **Total** | |
| **Geographic concentration:(1)** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Northeast |  | **$** | **16,301** |  |  | **54.3** | **%** |  | **$** | **8,403** |  |  | **19.3** | **%** |  | **$** | **24,704** |  |  | **33.5** | **%** |
| Mid-Atlantic |  | **3,080** | |  |  | **10.3** |  |  | **5,572** | |  |  | **12.8** |  |  | **8,652** | |  |  | **11.7** |  |
| South |  | **4,437** | |  |  | **14.8** |  |  | **15,386** | |  |  | **35.2** |  |  | **19,823** | |  |  | **26.9** |  |
| Other |  | **6,191** | |  |  | **20.6** |  |  | **14,289** | |  |  | **32.7** |  |  | **20,480** | |  |  | **27.9** |  |
| Total |  | **$** | **30,009** |  |  | **100.0** | **%** |  | **$** | **43,650** |  |  | **100.0** | **%** |  | **$** | **73,659** |  |  | **100.0** | **%** |
| **Internal risk rating:(2)** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Noncriticized |  | **$** | **29,272** |  |  | **97.5** | **%** |  | **$** | **41,872** |  |  | **96.0** | **%** |  | **$** | **71,144** |  |  | **96.6** | **%** |
| Criticized performing |  | **680** | |  |  | **2.3** |  |  | **1,355** | |  |  | **3.1** |  |  | **2,035** | |  |  | **2.8** |  |
| Criticized nonperforming |  | **36** | |  |  | **0.1** |  |  | **413** | |  |  | **0.9** |  |  | **449** | |  |  | **0.6** |  |
| PCI loans |  | **21** | |  |  | **0.1** |  |  | **10** | |  |  | **0.0** |  |  | **31** | |  |  | **0.0** |  |
| Total |  | **$** | **30,009** |  |  | **100.0** | **%** |  | **$** | **43,650** |  |  | **100.0** | **%** |  | **$** | **73,659** |  |  | **100.0** | **%** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Commercial**  **and**  **Multifamily**  **Real Estate** | | |  | **% of**  **Total** | |  | **Commercial**  **and**  **Industrial** | | |  | **% of**  **Total** | |  | **Small-Ticket**  **Commercial**  **Real Estate** | | |  | **% of**  **Total** | |  | **Total**  **Commercial Banking** | | |  | **% of**  **Total** | |
| **Geographic concentration:(1)** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Northeast |  | $ | 15,562 |  |  | 53.8 | % |  | $ | 7,573 |  |  | 18.4 | % |  | $ | 213 |  |  | 62.1 | % |  | $ | 23,348 |  |  | 33.2 | % |
| Mid-Atlantic |  | 3,410 | |  |  | 11.8 |  |  | 4,710 | |  |  | 11.5 |  |  | 12 | |  |  | 3.5 |  |  | 8,132 | |  |  | 11.6 |  |
| South |  | 4,247 | |  |  | 14.7 |  |  | 15,367 | |  |  | 37.4 |  |  | 20 | |  |  | 5.8 |  |  | 19,634 | |  |  | 27.9 |  |
| Other |  | 5,680 | |  |  | 19.7 |  |  | 13,441 | |  |  | 32.7 |  |  | 98 | |  |  | 28.6 |  |  | 19,219 | |  |  | 27.3 |  |
| Total |  | $ | 28,899 |  |  | 100.0 | % |  | $ | 41,091 |  |  | 100.0 | % |  | $ | 343 |  |  | 100.0 | % |  | $ | 70,333 |  |  | 100.0 | % |
| **Internal risk rating:(2)** |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |
| Noncriticized |  | $ | 28,239 |  |  | 97.7 | % |  | $ | 39,468 |  |  | 96.1 | % |  | $ | 336 |  |  | 98.0 | % |  | $ | 68,043 |  |  | 96.8 | % |
| Criticized performing |  | 555 | |  |  | 1.9 |  |  | 1,292 | |  |  | 3.1 |  |  | 1 | |  |  | 0.3 |  |  | 1,848 | |  |  | 2.6 |  |
| Criticized nonperforming |  | 83 | |  |  | 0.3 |  |  | 223 | |  |  | 0.5 |  |  | 6 | |  |  | 1.7 |  |  | 312 | |  |  | 0.4 |  |
| PCI loans |  | 22 | |  |  | 0.1 |  |  | 108 | |  |  | 0.3 |  |  | 0 | |  |  | 0.0 |  |  | 130 | |  |  | 0.2 |  |
| Total |  | $ | 28,899 |  |  | 100.0 | % |  | $ | 41,091 |  |  | 100.0 | % |  | $ | 343 |  |  | 100.0 | % |  | $ | 70,333 |  |  | 100.0 | % |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Geographic concentration is generally determined by the location of the borrower’s business or the location of the collateral associated with the loan. Northeast consists of CT, MA, ME, NH, NJ, NY, PA and VT. Mid-Atlantic consists of DC, DE, MD, VA and WV. South consists of AL, AR, FL, GA, KY, LA, MO, MS, NC, SC, TN and TX. |

|  |  |
| --- | --- |
|  |  |
| (2) | Criticized exposures correspond to the “Special Mention,” “Substandard” and “Doubtful” asset categories defined by bank regulatory authorities. |

**Impaired Loans**

The following table presents information on our impaired loans as of September 30, 2019 and December 31, 2018, and for the three and nine months ended September 30, 2019 and 2018. Impaired loans include loans modified in troubled debt restructurings (“TDRs”), all nonperforming commercial loans and nonperforming home loans with a specific impairment. Impaired loans without an allowance generally represent loans that have been charged down to the fair value of the underlying collateral for which we believe no additional losses have been incurred, or where the fair value of the underlying collateral meets or exceeds the loan’s amortized cost. PCI loans are excluded from the following table.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 88 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Table 4.8: Impaired Loans**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **With an**  **Allowance** | | |  | **Without**  **an**  **Allowance** | | |  | **Total**  **Recorded**  **Investment** | | |  | **Related**  **Allowance** | | |  | **Net**  **Recorded**  **Investment** | | |  | **Unpaid**  **Principal**  **Balance** | | |
| **Credit Card:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Domestic credit card |  | **$** | **625** |  |  | **$** | **0** |  |  | **$** | **625** |  |  | **$** | **115** |  |  | **$** | **510** |  |  | **$** | **615** |  |
| International card businesses |  | **190** | |  |  | **0** | |  |  | **190** | |  |  | **82** | |  |  | **108** | |  |  | **185** | |  |
| Total credit card(1) |  | **815** | |  |  | **0** | |  |  | **815** | |  |  | **197** | |  |  | **618** | |  |  | **800** | |  |
| **Consumer Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Auto |  | **294** | |  |  | **41** | |  |  | **335** | |  |  | **26** | |  |  | **309** | |  |  | **445** | |  |
| Retail banking |  | **45** | |  |  | **2** | |  |  | **47** | |  |  | **6** | |  |  | **41** | |  |  | **52** | |  |
| Total consumer banking |  | **339** | |  |  | **43** | |  |  | **382** | |  |  | **32** | |  |  | **350** | |  |  | **497** | |  |
| **Commercial Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commercial and multifamily real estate |  | **36** | |  |  | **33** | |  |  | **69** | |  |  | **1** | |  |  | **68** | |  |  | **71** | |  |
| Commercial and industrial |  | **516** | |  |  | **141** | |  |  | **657** | |  |  | **97** | |  |  | **560** | |  |  | **779** | |  |
| Total commercial banking |  | **552** | |  |  | **174** | |  |  | **726** | |  |  | **98** | |  |  | **628** | |  |  | **850** | |  |
| Total |  | **$** | **1,706** |  |  | **$** | **217** |  |  | **$** | **1,923** |  |  | **$** | **327** |  |  | **$** | **1,596** |  |  | **$** | **2,147** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **With an**  **Allowance** | | |  | **Without**  **an**  **Allowance** | | |  | **Total**  **Recorded**  **Investment** | | |  | **Related**  **Allowance** | | |  | **Net**  **Recorded**  **Investment** | | |  | **Unpaid**  **Principal**  **Balance** | | |
| **Credit Card:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Domestic credit card |  | $ | 666 |  |  | $ | 0 |  |  | $ | 666 |  |  | $ | 186 |  |  | $ | 480 |  |  | $ | 654 |  |
| International card businesses |  | 189 | |  |  | 0 | |  |  | 189 | |  |  | 91 | |  |  | 98 | |  |  | 183 | |  |
| Total credit card(1) |  | 855 | |  |  | 0 | |  |  | 855 | |  |  | 277 | |  |  | 578 | |  |  | 837 | |  |
| **Consumer Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Auto(2) |  | 301 | |  |  | 38 | |  |  | 339 | |  |  | 22 | |  |  | 317 | |  |  | 420 | |  |
| Retail banking |  | 42 | |  |  | 12 | |  |  | 54 | |  |  | 5 | |  |  | 49 | |  |  | 60 | |  |
| Total consumer banking |  | 343 | |  |  | 50 | |  |  | 393 | |  |  | 27 | |  |  | 366 | |  |  | 480 | |  |
| **Commercial Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commercial and multifamily real estate |  | 92 | |  |  | 28 | |  |  | 120 | |  |  | 5 | |  |  | 115 | |  |  | 121 | |  |
| Commercial and industrial |  | 301 | |  |  | 169 | |  |  | 470 | |  |  | 29 | |  |  | 441 | |  |  | 593 | |  |
| Total commercial lending |  | 393 | |  |  | 197 | |  |  | 590 | |  |  | 34 | |  |  | 556 | |  |  | 714 | |  |
| Small-ticket commercial real estate |  | 0 | |  |  | 6 | |  |  | 6 | |  |  | 0 | |  |  | 6 | |  |  | 9 | |  |
| Total commercial banking |  | 393 | |  |  | 203 | |  |  | 596 | |  |  | 34 | |  |  | 562 | |  |  | 723 | |  |
| Total |  | $ | 1,591 |  |  | $ | 253 |  |  | $ | 1,844 |  |  | $ | 338 |  |  | $ | 1,506 |  |  | $ | 2,040 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 89 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | | |  | **2018** | | | | | | |  | **2019** | | | | | | |  | **2018** | | | | | | |
| *(Dollars in millions)* |  | **Average Recorded Investment** | | |  | **Interest Income Recognized** | | |  | **Average Recorded Investment** | | |  | **Interest Income Recognized** | | |  | **Average Recorded Investment** | | |  | **Interest Income Recognized** | | |  | **Average Recorded Investment** | | |  | **Interest Income Recognized** | | |
| **Credit Card:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Domestic credit card |  | **$** | **628** |  |  | **$** | **14** |  |  | $ | 659 |  |  | $ | 15 |  |  | **$** | **645** |  |  | **$** | **43** |  |  | $ | 653 |  |  | $ | 47 |  |
| International card businesses |  | **192** | |  |  | **4** | |  |  | 186 | |  |  | 3 | |  |  | **193** | |  |  | **11** | |  |  | 182 | |  |  | 9 | |  |
| Total credit card(1) |  | **820** | |  |  | **18** | |  |  | 845 | |  |  | 18 | |  |  | **838** | |  |  | **54** | |  |  | 835 | |  |  | 56 | |  |
| **Consumer Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Auto(2) |  | **334** | |  |  | **10** | |  |  | 366 | |  |  | 11 | |  |  | **338** | |  |  | **29** | |  |  | 411 | |  |  | 35 | |  |
| Home loan |  | **0** | |  |  | **0** | |  |  | 0 | |  |  | 0 | |  |  | **0** | |  |  | **0** | |  |  | 114 | |  |  | 1 | |  |
| Retail banking |  | **52** | |  |  | **0** | |  |  | 59 | |  |  | 0 | |  |  | **53** | |  |  | **1** | |  |  | 60 | |  |  | 1 | |  |
| Total consumer banking |  | **386** | |  |  | **10** | |  |  | 425 | |  |  | 11 | |  |  | **391** | |  |  | **30** | |  |  | 585 | |  |  | 37 | |  |
| **Commercial Banking:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Commercial and multifamily real estate |  | **74** | |  |  | **0** | |  |  | 67 | |  |  | 1 | |  |  | **94** | |  |  | **1** | |  |  | 86 | |  |  | 2 | |  |
| Commercial and industrial |  | **605** | |  |  | **3** | |  |  | 583 | |  |  | 6 | |  |  | **562** | |  |  | **11** | |  |  | 658 | |  |  | 16 | |  |
| Total commercial lending |  | **679** | |  |  | **3** | |  |  | 650 | |  |  | 7 | |  |  | **656** | |  |  | **12** | |  |  | 744 | |  |  | 18 | |  |
| Small-ticket commercial real estate |  | **3** | |  |  | **0** | |  |  | 5 | |  |  | 0 | |  |  | **5** | |  |  | **0** | |  |  | 6 | |  |  | 0 | |  |
| Total commercial banking |  | **682** | |  |  | **3** | |  |  | 655 | |  |  | 7 | |  |  | **661** | |  |  | **12** | |  |  | 750 | |  |  | 18 | |  |
| Total |  | **$** | **1,888** |  |  | **$** | **31** |  |  | $ | 1,925 |  |  | $ | 36 |  |  | **$** | **1,890** |  |  | **$** | **96** |  |  | $ | 2,170 |  |  | $ | 111 |  |

**\_\_\_\_\_\_\_\_\_\_**

|  |  |
| --- | --- |
|  |  |
| (1) | The period-end and average recorded investments of credit card loans include finance charges and fees. |

|  |  |
| --- | --- |
|  |  |
| (2) | 2018 amounts include certain TDRs that were recorded as other assets on our consolidated balance sheets. |

***Troubled Debt Restructurings***

Total recorded TDRs were $1.6 billion as of both September 30, 2019 and December 31, 2018. TDRs classified as performing in our credit card and consumer banking loan portfolios totaled $1.1 billion and $1.2 billion as of September 30, 2019 and December 31, 2018, respectively. TDRs classified as performing in our commercial banking loan portfolio totaled $276 million and $282 million as of September 30, 2019 and December 31, 2018, respectively. Commitments to lend additional funds on loans modified in TDRs totaled $220 million and $256 million as of September 30, 2019 and December 31, 2018, respectively.

***Loans Modified in TDRs***

As part of our loan modification programs to borrowers experiencing financial difficulty, we may provide multiple concessions to minimize our economic loss and improve long-term loan performance and collectability. The following tables present the major modification types, recorded investment amounts and financial effects of loans modified in TDRs during the three and nine months ended September 30, 2019 and 2018.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 90 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Table 4.9: Troubled Debt Restructurings**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Total Loans Modified(1)** | | |  | **Three Months Ended September 30, 2019** | | | | | | | | | | | | | | | | |
|  |  | **Reduced Interest Rate** | | | | |  | **Term Extension** | | | |  | **Balance Reduction** | | | | | |
| *(Dollars in millions)* |  | **% of TDR Activity(2)** | |  | **Average Rate Reduction** | |  | **% of TDR Activity(2)** | |  | **Average Term Extension (Months)** |  | **% of TDR Activity(2)** | |  | **Gross Balance Reduction** | | |
| **Credit Card:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Domestic credit card |  | **$** | **85** |  |  | **100** | **%** |  | **16.76** | **%** |  | **0** | **%** |  | **0** |  | **0** | **%** |  | **$** | **0** |  |
| International card businesses |  | **43** | |  |  | **100** |  |  | **27.08** |  |  | **0** |  |  | **0** |  | **0** |  |  | **0** | |  |
| Total credit card |  | **128** | |  |  | **100** |  |  | **20.19** |  |  | **0** |  |  | **0** |  | **0** |  |  | **0** | |  |
| **Consumer Banking:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Auto |  | **66** | |  |  | **42** |  |  | **3.51** |  |  | **89** |  |  | **8** |  | **1** |  |  | **1** | |  |
| Retail banking |  | **1** | |  |  | **9** |  |  | **9.30** |  |  | **0** |  |  | **0** |  | **0** |  |  | **0** | |  |
| Total consumer banking |  | **67** | |  |  | **42** |  |  | **3.53** |  |  | **88** |  |  | **8** |  | **1** |  |  | **1** | |  |
| **Commercial Banking:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Commercial and industrial |  | **51** | |  |  | **9** |  |  | **1.00** |  |  | **15** |  |  | **14** |  | **0** |  |  | **0** | |  |
| Total commercial banking |  | **51** | |  |  | **9** |  |  | **1.00** |  |  | **15** |  |  | **14** |  | **0** |  |  | **0** | |  |
| Total |  | **$** | **246** |  |  | **65** |  |  | **16.70** |  |  | **27** |  |  | **9** |  | **0** |  |  | **$** | **1** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Total Loans Modified(1)** | | |  | **Nine Months Ended September 30, 2019** | | | | | | | | | | | | | | | | |
|  |  | **Reduced Interest Rate** | | | | |  | **Term Extension** | | | |  | **Balance Reduction** | | | | | |
| *(Dollars in millions)* |  | **% of TDR Activity(2)** | |  | **Average Rate Reduction** | |  | **% of TDR Activity(2)** | |  | **Average Term Extension (Months)** |  | **% of TDR Activity(2)** | |  | **Gross Balance Reduction** | | |
| **Credit Card:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Domestic credit card |  | **$** | **257** |  |  | **100** | **%** |  | **16.58** | **%** |  | **0** | **%** |  | **0** |  | **0** | **%** |  | **$** | **0** |  |
| International card businesses |  | **130** | |  |  | **100** |  |  | **27.25** |  |  | **0** |  |  | **0** |  | **0** |  |  | **0** | |  |
| Total credit card |  | **387** | |  |  | **100** |  |  | **20.18** |  |  | **0** |  |  | **0** |  | **0** |  |  | **0** | |  |
| **Consumer Banking:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Auto |  | **190** | |  |  | **41** |  |  | **3.70** |  |  | **90** |  |  | **8** |  | **1** |  |  | **1** | |  |
| Retail banking |  | **7** | |  |  | **10** |  |  | **10.73** |  |  | **54** |  |  | **3** |  | **34** |  |  | **0** | |  |
| Total consumer banking |  | **197** | |  |  | **40** |  |  | **3.76** |  |  | **89** |  |  | **7** |  | **2** |  |  | **1** | |  |
| **Commercial Banking:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Commercial and multifamily real estate |  | **34** | |  |  | **100** |  |  | **0.00** |  |  | **0** |  |  | **0** |  | **0** |  |  | **0** | |  |
| Commercial and industrial |  | **86** | |  |  | **5** |  |  | **0.60** |  |  | **25** |  |  | **9** |  | **0** |  |  | **0** | |  |
| Total commercial lending |  | **120** | |  |  | **32** |  |  | **0.07** |  |  | **18** |  |  | **9** |  | **0** |  |  | **0** | |  |
| Small-ticket commercial real estate |  | **1** | |  |  | **0** |  |  | **0.00** |  |  | **0** |  |  | **0** |  | **0** |  |  | **0** | |  |
| Total commercial banking |  | **121** | |  |  | **32** |  |  | **0.07** |  |  | **18** |  |  | **9** |  | **0** |  |  | **0** | |  |
| Total |  | **$** | **705** |  |  | **72** |  |  | **16.08** |  |  | **28** |  |  | **8** |  | **1** |  |  | **$** | **1** |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 91 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Total Loans Modified(1)** | | |  | **Three Months Ended September 30, 2018** | | | | | | | | | | | | | | | | |
|  |  | **Reduced Interest Rate** | | | | |  | **Term Extension** | | | |  | **Balance Reduction** | | | | | |
| *(Dollars in millions)* |  | **% of TDR Activity(2)** | |  | **Average Rate Reduction** | |  | **% of TDR Activity(2)** | |  | **Average Term Extension (Months)** |  | **% of TDR Activity(2)** | |  | **Gross Balance Reduction** | | |
| **Credit Card:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Domestic credit card |  | $ | 105 |  |  | 100 | % |  | 16.01 | % |  | 0 | % |  | 0 |  | 0 | % |  | $ | 0 |  |
| International card businesses |  | 46 | |  |  | 100 |  |  | 26.95 |  |  | 0 |  |  | 0 |  | 0 |  |  | 0 | |  |
| Total credit card |  | 151 | |  |  | 100 |  |  | 19.35 |  |  | 0 |  |  | 0 |  | 0 |  |  | 0 | |  |
| **Consumer Banking:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Auto(3) |  | 47 | |  |  | 51 |  |  | 3.88 |  |  | 85 |  |  | 9 |  | 1 |  |  | 0 | |  |
| Retail banking |  | 0 | |  |  | 100 |  |  | 10.45 |  |  | 5 |  |  | 12 |  | 0 |  |  | 0 | |  |
| Total consumer banking |  | 47 | |  |  | 52 |  |  | 3.93 |  |  | 85 |  |  | 9 |  | 1 |  |  | 0 | |  |
| **Commercial Banking:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Commercial and multifamily real estate |  | 22 | |  |  | 0 |  |  | 0.00 |  |  | 61 |  |  | 3 |  | 0 |  |  | 0 | |  |
| Commercial and industrial |  | 50 | |  |  | 0 |  |  | 0.00 |  |  | 13 |  |  | 8 |  | 0 |  |  | 0 | |  |
| Total commercial lending |  | 72 | |  |  | 0 |  |  | 0.00 |  |  | 28 |  |  | 5 |  | 0 |  |  | 0 | |  |
| Small-ticket commercial real estate |  | 1 | |  |  | 0 |  |  | 0.00 |  |  | 0 |  |  | 0 |  | 0 |  |  | 0 | |  |
| Total commercial banking |  | 73 | |  |  | 0 |  |  | 0.00 |  |  | 28 |  |  | 5 |  | 0 |  |  | 0 | |  |
| Total |  | $ | 271 |  |  | 65 |  |  | 17.26 |  |  | 22 |  |  | 8 |  | 0 |  |  | $ | 0 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Total Loans Modified(1)** | | |  | **Nine Months Ended September 30, 2018** | | | | | | | | | | | | | | | | |
|  | **Reduced Interest Rate** | | | | |  | **Term Extension** | | | |  | **Balance Reduction** | | | | | |
| *(Dollars in millions)* | **% of TDR Activity(2)** | |  | **Average Rate Reduction** | |  | **% of TDR Activity(2)** | |  | **Average Term Extension (Months)** |  | **% of TDR Activity(2)** | |  | **Gross Balance Reduction** | | |
| **Credit Card:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Domestic credit card |  | $ | 314 |  |  | 100 | % |  | 15.88 | % |  | 0 | % |  | 0 |  | 0 | % |  | $ | 0 |  |
| International card businesses |  | 139 | |  |  | 100 |  |  | 26.87 |  |  | 0 |  |  | 0 |  | 0 |  |  | 0 | |  |
| Total credit card |  | 453 | |  |  | 100 |  |  | 19.25 |  |  | 0 |  |  | 0 |  | 0 |  |  | 0 | |  |
| **Consumer Banking:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Auto(3) |  | 153 | |  |  | 55 |  |  | 3.91 |  |  | 87 |  |  | 8 |  | 1 |  |  | 1 | |  |
| Home loan |  | 6 | |  |  | 28 |  |  | 1.78 |  |  | 83 |  |  | 214 |  | 0 |  |  | 0 | |  |
| Retail banking |  | 6 | |  |  | 14 |  |  | 11.09 |  |  | 48 |  |  | 6 |  | 0 |  |  | 0 | |  |
| Total consumer banking |  | 165 | |  |  | 53 |  |  | 3.94 |  |  | 86 |  |  | 15 |  | 1 |  |  | 1 | |  |
| **Commercial Banking:** |  |  | | |  |  | |  |  | |  |  | |  |  |  |  | |  |  | | |
| Commercial and multifamily real estate |  | 41 | |  |  | 0 |  |  | 0.00 |  |  | 79 |  |  | 5 |  | 0 |  |  | 0 | |  |
| Commercial and industrial |  | 147 | |  |  | 0 |  |  | 1.19 |  |  | 47 |  |  | 14 |  | 0 |  |  | 0 | |  |
| Total commercial lending |  | 188 | |  |  | 0 |  |  | 1.19 |  |  | 54 |  |  | 11 |  | 0 |  |  | 0 | |  |
| Small-ticket commercial real estate |  | 3 | |  |  | 0 |  |  | 0.00 |  |  | 0 |  |  | 0 |  | 0 |  |  | 0 | |  |
| Total commercial banking |  | 191 | |  |  | 0 |  |  | 1.19 |  |  | 53 |  |  | 11 |  | 0 |  |  | 0 | |  |
| Total |  | $ | 809 |  |  | 67 |  |  | 16.79 |  |  | 30 |  |  | 14 |  | 0 |  |  | $ | 1 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Represents the recorded investment of total loans modified in TDRs at the end of the quarter in which they were modified. As not every modification type is included in the table above, the total percentage of TDR activity may not add up to 100%. Some loans may receive more than one type of concession as part of the modification. |

|  |  |
| --- | --- |
|  |  |
| (2) | Due to multiple concessions granted to some troubled borrowers, percentages may total more than 100% for certain loan types. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 92 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |
| --- | --- |
|  |  |
| (3) | Includes certain TDRs that are recorded as other assets on our consolidated balance sheets. |

***Subsequent Defaults of Completed TDR Modifications***

The following table presents the type, number and recorded investment of loans modified in TDRs that experienced a default during the period and had completed a modification event in the twelve months prior to the default. A default occurs if the loan is either 90 days or more delinquent, has been charged off as of the end of the period presented or has been reclassified from accrual to nonaccrual status.

**Table 4.10: TDRs—Subsequent Defaults**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | |  | **Nine Months Ended September 30,** | | | | | | | | | | | | |
|  |  | **2019** | | | | | |  | **2018** | | | | | |  | **2019** | | | | | |  | **2018** | | | | | |
| *(Dollars in millions)* |  | **Number of Contracts** | |  | **Amount** | | |  | **Number of Contracts** | |  | **Amount** | | |  | **Number of Contracts** | |  | **Amount** | | |  | **Number of Contracts** | |  | **Amount** | | |
| **Credit Card:** |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |
| Domestic credit card |  | **10,619** |  |  | **$** | **22** |  |  | 13,983 |  |  | $ | 29 |  |  | **36,227** |  |  | **$** | **77** |  |  | 44,528 |  |  | $ | 93 |  |
| International card businesses |  | **17,104** |  |  | **26** | |  |  | 15,104 |  |  | 25 | |  |  | **51,995** |  |  | **82** | |  |  | 44,397 |  |  | 78 | |  |
| Total credit card |  | **27,723** |  |  | **48** | |  |  | 29,087 |  |  | 54 | |  |  | **88,222** |  |  | **159** | |  |  | 88,925 |  |  | 171 | |  |
| **Consumer Banking:** |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |
| Auto |  | **1,446** |  |  | **18** | |  |  | 1,907 |  |  | 20 | |  |  | **3,863** |  |  | **47** | |  |  | 5,507 |  |  | 62 | |  |
| Home loan |  | **0** |  |  | **0** | |  |  | 0 |  |  | 0 | |  |  | **0** |  |  | **0** | |  |  | 3 |  |  | 1 | |  |
| Retail banking |  | **6** |  |  | **0** | |  |  | 12 |  |  | 2 | |  |  | **18** |  |  | **1** | |  |  | 21 |  |  | 2 | |  |
| Total consumer banking |  | **1,452** |  |  | **18** | |  |  | 1,919 |  |  | 22 | |  |  | **3,881** |  |  | **48** | |  |  | 5,531 |  |  | 65 | |  |
| **Commercial Banking:** |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |  |  | |  |  | | |
| Commercial and multifamily real estate |  | **0** |  |  | **0** | |  |  | 1 |  |  | 3 | |  |  | **0** |  |  | **0** | |  |  | 1 |  |  | 3 | |  |
| Commercial and industrial |  | **0** |  |  | **0** | |  |  | 5 |  |  | 34 | |  |  | **0** |  |  | **0** | |  |  | 18 |  |  | 79 | |  |
| Total commercial lending |  | **0** |  |  | **0** | |  |  | 6 |  |  | 37 | |  |  | **0** |  |  | **0** | |  |  | 19 |  |  | 82 | |  |
| Total commercial banking |  | **0** |  |  | **0** | |  |  | 6 |  |  | 37 | |  |  | **0** |  |  | **0** | |  |  | 19 |  |  | 82 | |  |
| Total |  | **29,175** |  |  | **$** | **66** |  |  | 31,012 |  |  | $ | 113 |  |  | **92,103** |  |  | **$** | **207** |  |  | 94,475 |  |  | $ | 318 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 93 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 5—ALLOWANCE FOR LOAN AND LEASE LOSSES AND RESERVE FOR UNFUNDED LENDING COMMITMENTS** |

Our allowance for loan and lease losses represents management’s best estimate of incurred loan and lease losses inherent in our loans held for investment as of each balance sheet date. In addition to the allowance for loan and lease losses, we also estimate probable losses related to unfunded lending commitments, such as letters of credit, financial guarantees and binding unfunded loan commitments. The provision for losses on 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. See “Note 1—Summary of Significant Accounting Policies” in our 2018 Form 10-K for further discussion of the methodology and policy for determining our allowance for loan and lease losses for each of our loan portfolio segments, as well as information on our reserve for unfunded lending commitments.

**Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments Activity**

The table below summarizes changes in the allowance for loan and lease losses and reserve for unfunded lending commitments by portfolio segment for the three and nine months ended September 30, 2019 and 2018.

**Table 5.1: Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments Activity**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2019** | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of June 30, 2019 |  | $ | 5,342 |  |  | $ | 1,055 |  |  | $ | 736 |  |  | $ | 7,133 |  |
| Charge-offs |  | **(1,531** | | **)** |  | **(489** | | **)** |  | **(66** | | **)** |  | **(2,086** | | **)** |
| Recoveries(1) |  | **380** | |  |  | **238** | |  |  | **6** | |  |  | **624** | |  |
| Net charge-offs |  | **(1,151** | | **)** |  | **(251** | | **)** |  | **(60** | | **)** |  | **(1,462** | | **)** |
| Provision for loan and lease losses |  | **1,087** | |  |  | **203** | |  |  | **84** | |  |  | **1,374** | |  |
| Allowance build (release) for loan and lease losses |  | **(64** | | **)** |  | **(48** | | **)** |  | **24** | |  |  | **(88** | | **)** |
| Other changes(2) |  | **(8** | | **)** |  | **0** | |  |  | **0** | |  |  | **(8** | | **)** |
| Balance as of September 30, 2019 |  | **5,270** | |  |  | **1,007** | |  |  | **760** | |  |  | **7,037** | |  |
| **Reserve for unfunded lending commitments:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of June 30, 2019 |  | 0 | |  |  | 4 | |  |  | 140 | |  |  | 144 | |  |
| Provision for losses on unfunded lending commitments |  | **0** | |  |  | **0** | |  |  | **9** | |  |  | **9** | |  |
| Balance as of September 30, 2019 |  | **0** | |  |  | **4** | |  |  | **149** | |  |  | **153** | |  |
| **Combined allowance and reserve as of September 30, 2019** |  | **$** | **5,270** |  |  | **$** | **1,011** |  |  | **$** | **909** |  |  | **$** | **7,190** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2019** | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of December 31, 2018 |  | $ | 5,535 |  |  | $ | 1,048 |  |  | $ | 637 |  |  | $ | 7,220 |  |
| Charge-offs |  | **(5,024** | | **)** |  | **(1,383** | | **)** |  | **(109** | | **)** |  | **(6,516** | | **)** |
| Recoveries(1) |  | **1,189** | |  |  | **739** | |  |  | **19** | |  |  | **1,947** | |  |
| Net charge-offs |  | **(3,835** | | **)** |  | **(644** | | **)** |  | **(90** | | **)** |  | **(4,569** | | **)** |
| Provision for loan and lease losses |  | **3,571** | |  |  | **603** | |  |  | **213** | |  |  | **4,387** | |  |
| Allowance build (release) for loan and lease losses |  | **(264** | | **)** |  | **(41** | | **)** |  | **123** | |  |  | **(182** | | **)** |
| Other changes(2) |  | **(1** | | **)** |  | **0** | |  |  | **0** | |  |  | **(1** | | **)** |
| Balance as of September 30, 2019 |  | **5,270** | |  |  | **1,007** | |  |  | **760** | |  |  | **7,037** | |  |
| **Reserve for unfunded lending commitments:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of December 31, 2018 |  | 0 | |  |  | 4 | |  |  | 118 | |  |  | 122 | |  |
| Provision for losses on unfunded lending commitments |  | **0** | |  |  | **0** | |  |  | **31** | |  |  | **31** | |  |
| Balance as of September 30, 2019 |  | **0** | |  |  | **4** | |  |  | **149** | |  |  | **153** | |  |
| **Combined allowance and reserve as of September 30, 2019** |  | **$** | **5,270** |  |  | **$** | **1,011** |  |  | **$** | **909** |  |  | **$** | **7,190** |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 94 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking** | | |  | **Other** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of June 30, 2018 |  | $ | 5,624 |  |  | $ | 1,120 |  |  | $ | 624 |  |  | $ | 0 |  |  | $ | 7,368 |  |
| Charge-offs |  | (1,528 | | ) |  | (469 | | ) |  | (48 | | ) |  | 1 | |  |  | (2,044 | | ) |
| Recoveries(1) |  | 391 | |  |  | 207 | |  |  | 21 | |  |  | 0 | |  |  | 619 | |  |
| Net charge-offs |  | (1,137 | | ) |  | (262 | | ) |  | (27 | | ) |  | 1 | |  |  | (1,425 | | ) |
| Provision (benefit) for loan and lease losses |  | 1,031 | |  |  | 185 | |  |  | 60 | |  |  | (1 | | ) |  | 1,275 | |  |
| Allowance build (release) for loan and lease losses |  | (106 | | ) |  | (77 | | ) |  | 33 | |  |  | 0 | |  |  | (150 | | ) |
| Other changes(2) |  | 2 | |  |  | 0 | |  |  | (1 | | ) |  | 0 | |  |  | 1 | |  |
| Balance as of September 30, 2018 |  | 5,520 | |  |  | 1,043 | |  |  | 656 | |  |  | 0 | |  |  | 7,219 | |  |
| **Reserve for unfunded lending commitments:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of June 30, 2018 |  | 0 | |  |  | 5 | |  |  | 112 | |  |  | 0 | |  |  | 117 | |  |
| Benefit for losses on unfunded lending commitments |  | 0 | |  |  | (1 | | ) |  | (6 | | ) |  | 0 | |  |  | (7 | | ) |
| Balance as of September 30, 2018 |  | 0 | |  |  | 4 | |  |  | 106 | |  |  | 0 | |  |  | 110 | |  |
| **Combined allowance and reserve as of September 30, 2018** |  | $ | 5,520 |  |  | $ | 1,047 |  |  | $ | 762 |  |  | $ | 0 |  |  | $ | 7,329 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking(3)** | | |  | **Commercial Banking** | | |  | **Other(3)** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of December 31, 2017 |  | $ | 5,648 |  |  | $ | 1,242 |  |  | $ | 611 |  |  | $ | 1 |  |  | $ | 7,502 |  |
| Charge-offs |  | (5,032 | | ) |  | (1,314 | | ) |  | (76 | | ) |  | (7 | | ) |  | (6,429 | | ) |
| Recoveries(1) |  | 1,258 | |  |  | 631 | |  |  | 37 | |  |  | 1 | |  |  | 1,927 | |  |
| Net charge-offs |  | (3,774 | | ) |  | (683 | | ) |  | (39 | | ) |  | (6 | | ) |  | (4,502 | | ) |
| Provision (benefit) for loan and lease losses |  | 3,658 | |  |  | 538 | |  |  | 85 | |  |  | (49 | | ) |  | 4,232 | |  |
| Allowance build (release) for loan and lease losses |  | (116 | | ) |  | (145 | | ) |  | 46 | |  |  | (55 | | ) |  | (270 | | ) |
| Other changes(2)(3) |  | (12 | | ) |  | (54 | | ) |  | (1 | | ) |  | 54 | |  |  | (13 | | ) |
| Balance as of September 30, 2018 |  | 5,520 | |  |  | 1,043 | |  |  | 656 | |  |  | 0 | |  |  | 7,219 | |  |
| **Reserve for unfunded lending commitments:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Balance as of December 31, 2017 |  | 0 | |  |  | 7 | |  |  | 117 | |  |  | 0 | |  |  | 124 | |  |
| Benefit for losses on unfunded lending commitments |  | 0 | |  |  | (3 | | ) |  | (11 | | ) |  | 0 | |  |  | (14 | | ) |
| Balance as of September 30, 2018 |  | 0 | |  |  | 4 | |  |  | 106 | |  |  | 0 | |  |  | 110 | |  |
| **Combined allowance and reserve as of September 30, 2018** |  | $ | 5,520 |  |  | $ | 1,047 |  |  | $ | 762 |  |  | $ | 0 |  |  | $ | 7,329 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | The amount and timing of recoveries is impacted by our collection strategies, which are based on customer behavior and risk profile and include direct customer communications, repossession of collateral, the periodic sale of charged-off loans as well as additional strategies, such as litigation. |

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

|  |  |
| --- | --- |
|  |  |
| (3) | In 2018, we sold all of our consumer home loan portfolio.The impact included a benefit for credit losses of $46 million in the second quarter of 2018 which was reflected in the Other category. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 95 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Components of Allowance for Loan and Lease Losses by Impairment Methodology**

The table below presents the components of our allowance for loan and lease losses by portfolio segment and impairment methodology as of September 30, 2019 and December 31, 2018. See “Note 1—Summary of Significant Accounting Policies” in our 2018 Form 10-K for further discussion of allowance methodologies for each of the loan portfolios.

**Table 5.2: Components of Allowance for Loan and Lease Losses by Impairment Methodology**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit**  **Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Collectively evaluated |  | **$** | **5,073** |  |  | **$** | **975** |  |  | **$** | **662** |  |  | **$** | **6,710** |  |
| Asset-specific |  | **197** | |  |  | **32** | |  |  | **98** | |  |  | **327** | |  |
| Total allowance for loan and lease losses |  | **$** | **5,270** |  |  | **$** | **1,007** |  |  | **$** | **760** |  |  | **$** | **7,037** |  |
| **Loans held for investment:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Collectively evaluated |  | **$** | **112,866** |  |  | **$** | **61,631** |  |  | **$** | **72,902** |  |  | **$** | **247,399** |  |
| Asset-specific |  | **815** | |  |  | **382** | |  |  | **726** | |  |  | **1,923** | |  |
| PCI loans |  | **0** | |  |  | **2** | |  |  | **31** | |  |  | **33** | |  |
| Total loans held for investment |  | **$** | **113,681** |  |  | **$** | **62,015** |  |  | **$** | **73,659** |  |  | **$** | **249,355** |  |
| Allowance coverage ratio(1) |  | **4.64** | | **%** |  | **1.62** | | **%** |  | **1.03** | | **%** |  | **2.82** | | **%** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking** | | |  | **Total** | | |
| **Allowance for loan and lease losses:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Collectively evaluated |  | $ | 5,258 |  |  | $ | 1,021 |  |  | $ | 603 |  |  | $ | 6,882 |  |
| Asset-specific |  | 277 | |  |  | 27 | |  |  | 34 | |  |  | 338 | |  |
| Total allowance for loan and lease losses |  | $ | 5,535 |  |  | $ | 1,048 |  |  | $ | 637 |  |  | $ | 7,220 |  |
| **Loans held for investment:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Collectively evaluated |  | $ | 115,505 |  |  | $ | 58,808 |  |  | $ | 69,607 |  |  | $ | 243,920 |  |
| Asset-specific |  | 855 | |  |  | 393 | |  |  | 596 | |  |  | 1,844 | |  |
| PCI loans |  | 1 | |  |  | 4 | |  |  | 130 | |  |  | 135 | |  |
| Total loans held for investment |  | $ | 116,361 |  |  | $ | 59,205 |  |  | $ | 70,333 |  |  | $ | 245,899 |  |
| Allowance coverage ratio(1) |  | 4.76 | | % |  | 1.77 | | % |  | 0.91 | | % |  | 2.94 | | % |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Allowance coverage ratio is calculated by dividing the period-end allowance for loan and lease losses by period-end loans held for investment within the specified loan category. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 96 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Credit Card Partnership Loss Sharing Arrangements**

We have certain credit card partnership agreements that are presented within our consolidated financial statements on a net basis, in which our partner agrees to share a portion of the credit losses on the underlying loan portfolio. The expected reimbursements from these partners, which are netted against our allowance for loan and lease losses, result in reductions to net charge-offs and provision for credit losses. See “Note 1—Summary of Significant Accounting Policies” in our 2018 Form 10-K for further discussion of our credit card partnership agreements.

The table below summarizes the changes in the estimated reimbursements from these partners for the three and nine months ended September 30, 2019 and 2018.

**Table 5.3: Summary of Credit Card Partnership Loss Sharing Arrangements Impacts**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |
| Estimated reimbursements from partners, beginning of period |  | $ | 414 |  |  | $ | 392 |  |
| Amounts due from partners which reduced net charge-offs |  | **(100** | | **)** |  | (97 | | ) |
| Amounts estimated to be charged to partners which reduced provision for credit losses |  | **86** | |  |  | 81 | |  |
| Estimated reimbursements from partners, end of period |  | **$** | **400** |  |  | $ | 376 |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |
| Estimated reimbursements from partners, beginning of period |  | $ | 379 |  |  | $ | 380 |  |
| Amounts due from partners which reduced net charge-offs |  | **(313** | | **)** |  | (286 | | ) |
| Amounts estimated to be charged to partners which reduced provision for credit losses |  | **334** | |  |  | 282 | |  |
| Estimated reimbursements from partners, end of period |  | **$** | **400** |  |  | $ | 376 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 97 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 6—VARIABLE INTEREST ENTITIES AND SECURITIZATIONS** |

In the normal course of business, we enter into various types of transactions with entities that are considered to be VIEs. Our primary involvement with VIEs has been related to our securitization transactions in which we transferred assets to securitization trusts. We have primarily securitized credit card and auto loans, which have provided a source of funding for us and enabled us to transfer a certain portion of the economic risk of the loans or related debt securities to third parties.

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE. The majority of the VIEs in which we are involved have been consolidated in our financial statements.

**Summary of Consolidated and Unconsolidated VIEs**

The assets of our consolidated VIEs primarily consist of cash, loan receivables and the related allowance for loan and lease losses, which we report on our consolidated balance sheets under restricted cash for securitization investors, loans held in consolidated trusts and allowance for loan and lease losses, respectively. The assets of a particular VIE are the primary source of funds to settle its obligations. Creditors of these VIEs typically do not have recourse to our general credit. Liabilities primarily consist of debt securities issued by the VIEs, which we report under securitized debt obligations on our consolidated balance sheets. For unconsolidated VIEs, we present the carrying amount of assets and liabilities reflected on our consolidated balance sheets and our maximum exposure to loss. Our maximum exposure to loss is estimated based on the unlikely event that all of the assets in the VIEs become worthless and we are required to meet our maximum remaining funding obligations.

The tables below present a summary of VIEs in which we had continuing involvement or held a variable interest, aggregated based on VIEs with similar characteristics as of September 30, 2019 and December 31, 2018. We separately present information for consolidated and unconsolidated VIEs.

**Table 6.1: Carrying Amount of Consolidated and Unconsolidated VIEs**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | |
|  |  | **Consolidated** | | | | | | |  | **Unconsolidated** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Carrying**  **Amount**  **of Assets** | | |  | **Carrying**  **Amount of**  **Liabilities** | | |  | **Carrying**  **Amount**  **of Assets** | | |  | **Carrying**  **Amount of**  **Liabilities** | | |  | **Maximum**  **Exposure to**  **Loss** | | |
| **Securitization-Related VIEs:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Credit card loan securitizations(1) |  | **$** | **30,521** |  |  | **$** | **16,896** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |
| Auto loan securitizations |  | **2,570** | |  |  | **2,275** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |
| Home loan securitizations |  | **0** | |  |  | **0** | |  |  | **66** | |  |  | **0** | |  |  | **367** | |  |
| Total securitization-related VIEs |  | **33,091** | |  |  | **19,171** | |  |  | **66** | |  |  | **0** | |  |  | **367** | |  |
| **Other VIEs:(2)** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Affordable housing entities |  | **236** | |  |  | **1** | |  |  | **4,439** | |  |  | **1,206** | |  |  | **4,439** | |  |
| Entities that provide capital to low-income and rural communities |  | **1,817** | |  |  | **69** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |
| Other |  | **0** | |  |  | **0** | |  |  | **512** | |  |  | **0** | |  |  | **512** | |  |
| Total other VIEs |  | **2,053** | |  |  | **70** | |  |  | **4,951** | |  |  | **1,206** | |  |  | **4,951** | |  |
| Total VIEs |  | **$** | **35,144** |  |  | **$** | **19,241** |  |  | **$** | **5,017** |  |  | **$** | **1,206** |  |  | **$** | **5,318** |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 98 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | | | | | |
|  |  | **Consolidated** | | | | | | |  | **Unconsolidated** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Carrying**  **Amount**  **of Assets** | | |  | **Carrying**  **Amount of**  **Liabilities** | | |  | **Carrying**  **Amount**  **of Assets** | | |  | **Carrying**  **Amount of**  **Liabilities** | | |  | **Maximum**  **Exposure to**  **Loss** | | |
| **Securitization-Related VIEs:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Credit card loan securitizations(1) |  | $ | 33,574 |  |  | $ | 18,885 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |
| Home loan securitizations |  | 0 | |  |  | 0 | |  |  | 211 | |  |  | 74 | |  |  | 554 | |  |
| Total securitization-related VIEs |  | 33,574 | |  |  | 18,885 | |  |  | 211 | |  |  | 74 | |  |  | 554 | |  |
| **Other VIEs:(2)** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Affordable housing entities |  | 243 | |  |  | 17 | |  |  | 4,238 | |  |  | 1,303 | |  |  | 4,238 | |  |
| Entities that provide capital to low-income and rural communities |  | 1,739 | |  |  | 117 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |
| Other |  | 0 | |  |  | 0 | |  |  | 353 | |  |  | 0 | |  |  | 353 | |  |
| Total other VIEs |  | 1,982 | |  |  | 134 | |  |  | 4,591 | |  |  | 1,303 | |  |  | 4,591 | |  |
| Total VIEs |  | $ | 35,556 |  |  | $ | 19,019 |  |  | $ | 4,802 |  |  | $ | 1,377 |  |  | $ | 5,145 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Represents the carrying amount of assets and liabilities owned by the VIE, which includes the seller’s interest and repurchased notes held by other related parties. |

|  |  |
| --- | --- |
|  |  |
| (2) | In certain investment structures, we consolidate a VIE which in turn holds as its primary asset an investment in an unconsolidated VIE. In these instances, we disclose the carrying amount of assets and liabilities on our consolidated balance sheets as unconsolidated VIEs to avoid duplicating our exposure, as the unconsolidated VIEs are generally the operating entities generating the exposure. The carrying amount of assets and liabilities included in the unconsolidated VIE columns above related to these investment structures were $2.3 billion of assets and $748 million of liabilities as of September 30, 2019, and $2.3 billion of assets and $811 million of liabilities as of December 31, 2018. |

**Securitization-Related VIEs**

In a securitization transaction, assets are transferred to a trust, which generally meets the definition of a VIE. We engage in securitization activities as an issuer and an investor. Our primary securitization issuance activity includes credit card and auto securitizations, conducted through securitization trusts which we consolidate. Our continuing involvement in these securitization transactions mainly consists of acting as the primary servicer and holding certain retained interests.

We also transfer multifamily commercial loans that we originate to the government-sponsored enterprises (“GSEs”) and retain the right to service the transferred loans pursuant to the guidelines set forth by the GSEs. Subsequent to such transfers, these loans are commonly securitized into CMBS by the GSEs. As an investor, we hold RMBS and CMBS in our investment securities portfolio, which represent an interest in the respective securitization trusts employed in the transactions under which those securities were issued.

We do not consolidate the securitization trusts employed in these transactions as we do not have the power to direct the activities that most significantly impact the economic performance of these securitization trusts. Our maximum exposure to loss as a result of our involvement with these VIEs is the carrying value of Mortgage servicing rights (“MSRs”) and investment securities on our consolidated balance sheets. See “Note 7—Goodwill and Intangible Assets” for information related to our MSRs associated with these multifamily commercial loan securitizations and “Note 3—Investment Securities” for more information on the securities held in our investment securities portfolio. We exclude these VIEs from the tables within this note because we do not consider our continuing involvement with these VIEs to be significant as we either invest in securities issued by the VIE and were not involved in the design of the VIE or no transfers have occurred between the VIE and us. In addition, where we have certain lending arrangements in the normal course of business with entities that could be VIEs, we have also excluded these VIEs from the tables presented in this note. See “Note 4—Loans” for additional information regarding our lending arrangements in the normal course of business.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 99 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The table below presents our continuing involvement in certain securitization-related VIEs as of September 30, 2019 and December 31, 2018.

**Table 6.2: Continuing Involvement in Securitization-Related VIEs**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **Credit**  **Card** | | |  | **Auto** | | |  | **Mortgages** | | |
| **September 30, 2019:** |  |  | | |  |  | | |  |  | | |
| Securities held by third-party investors |  | **$** | **16,637** |  |  | **$** | **2,273** |  |  | **$** | **1,017** |  |
| Receivables in the trust |  | **31,039** | |  |  | **2,424** | |  |  | **1,034** | |  |
| Cash balance of spread or reserve accounts |  | **0** | |  |  | **7** | |  |  | **17** | |  |
| Retained interests |  | **Yes** | |  |  | **Yes** | |  |  | **Yes** | |  |
| Servicing retained |  | **Yes** | |  |  | **Yes** | |  |  | **No** | |  |
| December 31, 2018: |  |  | | |  |  | | |  |  | | |
| Securities held by third-party investors |  | $ | 18,307 |  |  | N/A | |  |  | $ | 1,276 |  |
| Receivables in the trust |  | 34,197 | |  |  | N/A | |  |  | 1,305 | |  |
| Cash balance of spread or reserve accounts |  | 0 | |  |  | N/A | |  |  | 116 | |  |
| Retained interests |  | Yes | |  |  | N/A | |  |  | Yes | |  |
| Servicing retained |  | Yes | |  |  | N/A | |  |  | Yes(1) | |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | We retained servicing on a portion of our remaining mortgage loans in mortgage securitizations. |

***Credit Card Securitizations***

We securitize a portion of our credit card loans which provides a source of funding for us. Credit card securitizations involve the transfer of credit card receivables to securitization trusts. These trusts then issue debt securities collateralized by the transferred receivables to third-party investors. We hold certain retained interests in our credit card securitizations and continue to service the receivables in these trusts. We consolidate these trusts because we are deemed to be the primary beneficiary as we have the power to direct the activities that most significantly impact the economic performance of the trusts, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the trusts.

***Auto Securitizations***

Similar to our credit card securitizations, we securitize a portion of our auto loans which provides a source of funding for us. Auto securitization involves the transfer of auto loans to securitization trusts. These trusts then issue debt securities collateralized by the transferred loans to third-party investors. We hold certain retained interests and continue to service the loans in these trusts. We consolidate these trusts because we are deemed to be the primary beneficiary as we have the power to direct the activities that most significantly impact the economic performance of the trusts, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the trusts.

***Mortgage Securitizations***

We had previously securitized mortgage loans by transferring these loans to securitization trusts that had issued mortgage-backed securities to investors. These mortgage trusts consist of option-adjustable rate mortgage (“option-ARM”) securitizations and securitizations from our discontinued operations which include the mortgage origination operations of our wholesale mortgage banking unit, GreenPoint Mortgage Funding, Inc. (“GreenPoint”) and the manufactured housing operations of GreenPoint Credit, LLC, a subsidiary of GreenPoint (collectively “GreenPoint securitizations”).

We retain rights to certain future cash flows arising from these securitizations. We do not consolidate the mortgage securitizations because we do not have the right to receive the benefits nor the obligation to absorb losses that could potentially be significant to the trusts or we do not have the power to direct the activities that most significantly impact the economic performance of the trusts.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 100 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Other VIEs**

***Affordable Housing Entities***

As part of our community reinvestment initiatives, we invest in private investment funds that make equity investments in multifamily affordable housing properties. We receive affordable housing tax credits for these investments. The activities of these entities are financed with a combination of invested equity capital and debt. We account for certain of our investments in qualified affordable housing projects using the proportional amortization method if certain criteria are met. The proportional amortization method amortizes the cost of the investment over the period in which the investor expects to receive tax credits and other tax benefits, and the resulting amortization is recognized as a component of income tax expense attributable to continuing operations. For the nine months ended September 30, 2019 and 2018, we recognized amortization of $417 million and $365 million, respectively, and tax credits of $516 million and $468 million, respectively, associated with these investments within income tax provision. The carrying value of our equity investments in these qualified affordable housing projects was $4.3 billion and $4.2 billion as of September 30, 2019 and December 31, 2018, respectively. We are periodically required to provide additional financial or other support during the period of the investments. Our liability for these unfunded commitments was $1.3 billion and $1.5 billion as of September 30, 2019 and December 31, 2018, respectively, and is largely expected to be paid from 2019 to 2021.

For those investment funds considered to be VIEs, we are not required to consolidate them if we do not have the power to direct the activities that most significantly impact the economic performance of those entities. We record our interests in these unconsolidated VIEs in loans held for investment, other assets and other liabilities on our consolidated balance sheets. Our maximum exposure to these entities is limited to our variable interests in the entities which consisted of assets of approximately $4.4 billion and $4.2 billion as of September 30, 2019 and December 31, 2018, respectively. The creditors of the VIEs have no recourse to our general credit and we do not provide additional financial or other support other than during the period that we are contractually required to provide it. The total assets of the unconsolidated VIE investment funds were approximately $10.7 billion and $10.8 billion as of September 30, 2019 and December 31, 2018, respectively.

***Entities that Provide Capital to Low-Income and Rural Communities***

We hold variable interests in entities (“Investor Entities”) that invest in community development entities (“CDEs”) that provide debt financing to businesses and non-profit entities in low-income and rural communities. Variable interests in the CDEs held by the consolidated Investor Entities are also our variable interests. The activities of the Investor Entities are financed with a combination of invested equity capital and debt. The activities of the CDEs are financed solely with invested equity capital. We receive federal and state tax credits for these investments. We consolidate the VIEs in which we have the power to direct the activities that most significantly impact the VIE’s economic performance and where we have the obligation to absorb losses or right to receive benefits that could be potentially significant to the VIE. We have also consolidated other investments and CDEs that are not considered to be VIEs, but where we hold a controlling financial interest. The assets of the VIEs that we consolidated, which totaled approximately $1.8 billion and $1.7 billion as of September 30, 2019 and December 31, 2018, respectively, are reflected on our consolidated balance sheets in cash, loans held for investment, and other assets. The liabilities are reflected in other liabilities. The creditors of the VIEs have no recourse to our general credit. We have not provided additional financial or other support other than during the period that we are contractually required to provide it.

***Other***

Other VIEs include variable interests that we hold in companies that promote renewable energy sources and other equity method investments. We were not required to consolidate these entities because we do not have the power to direct the activities that most significantly impact their economic performance. Our maximum exposure to these entities is limited to the investment on our consolidated balance sheets of $512 million and $353 million as of September 30, 2019 and December 31, 2018, respectively. The creditors of the other VIEs have no recourse to our general credit. We have not provided additional financial or other support other than during the period that we are contractually required to provide it.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 101 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 7—GOODWILL AND INTANGIBLE ASSETS** |

The table below presents our goodwill, intangible assets and MSRs as of September 30, 2019 and December 31, 2018. Goodwill is presented separately, while intangible assets and MSRs are included in other assets on our consolidated balance sheets.

**Table 7.1: Components of Goodwill, Intangible Assets and MSRs**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Carrying Amount of Assets** | | |  | **Accumulated Amortization** | | |  | **Net Carrying Amount** | | |
| Goodwill |  | **$** | **14,624** |  |  | **N/A** | |  |  | **$** | **14,624** |  |
| Intangible assets: |  |  | | |  |  | | |  |  | | |
| Purchased credit card relationship (“PCCR”) intangibles |  | **1,932** | |  |  | **$** | **(1,844** | **)** |  | **88** | |  |
| Other(1) |  | **225** | |  |  | **(132** | | **)** |  | **93** | |  |
| Total intangible assets |  | **2,157** | |  |  | **(1,976** | | **)** |  | **181** | |  |
| Total goodwill and intangible assets |  | **$** | **16,781** |  |  | **$** | **(1,976** | **)** |  | **$** | **14,805** |  |
| Commercial MSRs(2) |  | **$** | **528** |  |  | **$** | **(237** | **)** |  | **$** | **291** |  |
|  |  |  | | |  |  | | |  |  | | |
|  |  | **December 31, 2018** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Carrying Amount of Assets** | | |  | **Accumulated Amortization** | | |  | **Net Carrying Amount** | | |
| Goodwill |  | $ | 14,544 |  |  | N/A | |  |  | $ | 14,544 |  |
| Intangible assets: |  |  | | |  |  | | |  |  | | |
| PCCR intangibles |  | 2,102 | |  |  | $ | (1,952 | ) |  | 150 | |  |
| Core deposit intangibles |  | 1,149 | |  |  | (1,148 | | ) |  | 1 | |  |
| Other(1) |  | 271 | |  |  | (168 | | ) |  | 103 | |  |
| Total intangible assets |  | 3,522 | |  |  | (3,268 | | ) |  | 254 | |  |
| Total goodwill and intangible assets |  | $ | 18,066 |  |  | $ | (3,268 | ) |  | $ | 14,798 |  |
| Commercial MSRs(2) |  | $ | 459 |  |  | $ | (185 | ) |  | $ | 274 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Primarily consists of intangibles for sponsorship, customer and merchant relationships, partnership and other contract intangibles and trade name intangibles. |

|  |  |
| --- | --- |
|  |  |
| (2) | Commercial MSRs are accounted for under the amortization method on our consolidated balance sheets. |

Amortization expense for amortizable intangible assets, which is presented separately in our consolidated statements of income, totaled $25 million and $84 million for the three and nine months ended September 30, 2019, respectively, and $44 million and $131 million for the three and nine months ended September 30, 2018, respectively.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 102 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Goodwill**

The following table presents changes in the carrying amount of goodwill by each of our business segments as of September 30, 2019 and December 31, 2018.

**Table 7.2: Goodwill by Business Segments**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **Credit**  **Card** | | |  | **Consumer**  **Banking** | | |  | **Commercial Banking** | | |  | **Total** | | |
| Balance as of December 31, 2018 |  | $ | 5,060 |  |  | $ | 4,600 |  |  | $ | 4,884 |  |  | $ | 14,544 |  |
| Acquisitions |  | **2** | |  |  | **45** | |  |  | **36** | |  |  | **83** | |  |
| Reductions in goodwill related to divestitures |  | **0** | |  |  | **(1** | | **)** |  | **0** | |  |  | **(1** | | **)** |
| Other adjustments(1) |  | **(2** | | **)** |  | **0** | |  |  | **0** | |  |  | **(2** | | **)** |
| Balance as of September 30, 2019 |  | **$** | **5,060** |  |  | **$** | **4,644** |  |  | **$** | **4,920** |  |  | **$** | **14,624** |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Represents foreign currency translation adjustments. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  |  |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 103 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 8—DEPOSITS AND BORROWINGS** |

Our deposits represent our largest source of funding for our assets and operations, which include checking accounts, money market deposits, negotiable order of withdrawals, savings deposits and time deposits. We also use a variety of other funding sources including short-term borrowings, senior and subordinated notes, securitized debt obligations and other borrowings. In addition, we utilize FHLB advances, which are secured by certain portions of our loan and investment securities portfolios. Securitized debt obligations are presented separately on our consolidated balance sheets, as they represent obligations of consolidated securitization trusts, while federal funds purchased and securities loaned or sold under agreements to repurchase, senior and subordinated notes and other borrowings, including FHLB advances, are included in other debt on our consolidated balance sheets.

Our total short-term borrowings generally consist of federal funds purchased, securities loaned or sold under agreements to repurchase, and short-term FHLB advances. Our long-term debt consists of borrowings with an original contractual maturity of greater than one year. The following tables summarize the components of our deposits, short-term borrowings and long-term debt as of September 30, 2019 and December 31, 2018. The carrying value presented below for these borrowings includes unamortized debt premiums and discounts, net of debt issuance costs and fair value hedge accounting adjustments.

**Table 8.1: Components of Deposits, Short-Term Borrowings and Long-Term Debt**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  | **September 30,  2019** | | |  | **December 31,  2018** | | |
| **Deposits:** |  |  | | |  |  | | |
| Non-interest-bearing deposits |  | **$** | **23,064** |  |  | $ | 23,483 |  |
| Interest-bearing deposits(1) |  | **234,084** | |  |  | 226,281 | |  |
| Total deposits |  | **$** | **257,148** |  |  | $ | 249,764 |  |
| **Short-term borrowings:** |  |  | | |  |  | | |
| Federal funds purchased and securities loaned or sold under agreements to repurchase |  | **$** | **464** |  |  | $ | 352 |  |
| FHLB advances |  | **0** | |  |  | 9,050 | |  |
| Total short-term borrowings |  | **$** | **464** |  |  | $ | 9,402 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | |  | **December 31,  2018** | | |
| *(Dollars in millions)* |  | **Maturity**  **Dates** | |  | **Stated Interest Rates** | |  | **Weighted-**  **Average**  **Interest Rate** | |  | **Carrying Value** | | |  | **Carrying Value** | | |
| **Long-term debt:** |  |  | |  |  | |  |  | |  |  | | |  |  | | |
| Securitized debt obligations |  | **2019-2026** |  |  | **1.66% - 3.01%** |  |  | **2.25** | **%** |  | **$** | **18,910** |  |  | $ | 18,307 |  |
| Senior and subordinated notes: |  |  | |  |  | |  |  | |  |  | | |  |  | | |
| Fixed unsecured senior debt(2) |  | **2020-2028** |  |  | **0.80 - 4.75** |  |  | **3.08** |  |  | **23,457** | |  |  | 23,290 | |  |
| Floating unsecured senior debt |  | **2020-2023** |  |  | **2.59 - 3.42** |  |  | **2.99** |  |  | **2,695** | |  |  | 2,993 | |  |
| Total unsecured senior debt | | | | | | |  | **3.07** |  |  | **26,152** | |  |  | 26,283 | |  |
| Fixed unsecured subordinated debt |  | **2023-2026** |  |  | **3.38 - 4.20** |  |  | **3.78** |  |  | **4,530** | |  |  | 4,543 | |  |
| Total senior and subordinated notes | | | | | | | | | |  | **30,682** | |  |  | 30,826 | |  |
| Other long-term borrowings: |  |  | |  |  | |  |  | |  |  | | |  |  | | |
| FHLB advances |  | **—** |  |  | **—** |  |  | **—** |  |  | **0** | |  |  | 251 | |  |
| Other borrowings |  | **2019-2035** |  |  | **2.24 - 12.86** |  |  | **4.20** |  |  | **93** | |  |  | 119 | |  |
| Total other long-term borrowings | | | | | | | | | |  | **93** | |  |  | 370 | |  |
| Total long-term debt | | | | | | | | | |  | **$** | **49,685** |  |  | $ | 49,503 |  |
| Total short-term borrowings and long-term debt | | | | | | | | | |  | **$** | **50,149** |  |  | $ | 58,905 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes $5.9 billion and $4.0 billion of time deposits in denominations in excess of the $250,000 federal insurance limit as of September 30, 2019 and December 31, 2018, respectively. |

|  |  |
| --- | --- |
|  |  |
| (2) | Includes $1.4 billion of EUR-denominated unsecured notes as of September 30, 2019. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 104 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 9—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES** |

**Use of Derivatives and Accounting for Derivatives**

We regularly enter into derivative transactions to support our overall risk management activities. Our primary market risks stem from the impact on our earnings and economic value of equity due to changes in interest rates and, to a lesser extent, changes in foreign exchange rates. We manage our interest rate sensitivity by employing several techniques, which include changing the duration and re-pricing characteristics of various assets and liabilities by using interest rate derivatives. We also use foreign currency derivatives to limit our earnings and capital exposures to foreign exchange risk by hedging exposures denominated in foreign currencies. In addition to interest rate and foreign currency derivatives, we may also use a variety of other derivative instruments, including caps, floors, options, futures and forward contracts, to manage our interest rate and foreign exchange risks. We designate these risk management derivatives as either qualifying accounting hedges or free-standing derivatives. Qualifying accounting hedges are further designated as fair value hedges, cash flow hedges or net investment hedges. Free-standing derivatives are economic hedges that do not qualify for hedge accounting.

We also offer various interest rate, commodity and foreign currency derivatives as accommodation to our customers within our Commercial Banking business. We enter into these derivatives with our customers primarily to help them manage interest rate risks, hedge their energy and other commodities exposures, and manage foreign currency fluctuations. We then enter into offsetting derivative contracts with counterparties to economically hedge the majority of our subsequent exposures.

See below for additional information on our use of derivatives and how we account for them:

|  |  |
| --- | --- |
|  |  |
| *•* | *Fair Value Hedges:* We designate derivatives as fair value hedges when they are used to manage our exposure to changes in the fair value of certain financial assets and liabilities, which fluctuate in value as a result of movements in interest rates. Changes in the fair value of derivatives designated as fair value hedges are presented in the same line item on our consolidated statements of income as the earnings effect of the hedged items. Our fair value hedges primarily consist of interest rate swaps that are intended to modify our exposure to interest rate risk on various fixed-rate financial assets and liabilities. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Cash Flow Hedges:* We designate derivatives as cash flow hedges when they are used to manage our exposure to variability in cash flows related to forecasted transactions. Changes in the fair value of derivatives designated as cash flow hedges are recorded as a component of AOCI. Those amounts are reclassified into earnings in the same period during which the forecasted transactions impact earnings and presented in the same line item on our consolidated statements of income as the earnings effect of the hedged items. Our cash flow hedges use interest rate swaps and floors that are intended to hedge the variability in interest receipts or interest payments on some of our variable-rate financial assets or liabilities. We also enter into foreign currency forward contracts to hedge our exposure to variability in cash flows related to intercompany borrowings denominated in foreign currencies. |

|  |  |
| --- | --- |
|  |  |
| • | *Net Investment Hedges:* We use net investment hedges to manage the foreign currency exposure related to our net investments in foreign operations that have functional currencies other than the U.S. dollar. Changes in the fair value of net investment hedges are recorded in the translation adjustment component of AOCI, offsetting the translation gain or loss from those foreign operations. We execute net investment hedges using foreign currency forward contracts to hedge the translation exposure of the net investment in our foreign operations under the forward method. |

|  |  |
| --- | --- |
|  |  |
| *•* | *Free-Standing Derivatives:* Our free-standing derivatives primarily consist of our customer accommodation derivatives and other economic hedges. The customer accommodation derivatives and the related offsetting contracts are mainly interest rate, commodity and foreign currency contracts. The other free-standing derivatives are primarily used to economically hedge the risk of changes in the fair value of our commercial mortgage loan origination and purchase commitments as well as other interests held. Changes in the fair value of free-standing derivatives are recorded in earnings as a component of other non-interest income. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 105 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Derivatives Counterparty Credit Risk**

***Counterparty Types***

Derivative instruments contain an element of credit risk that arises from the potential failure of a counterparty to perform according to the terms of the contract, including making payments due upon maturity of certain derivative instruments. We execute our derivative contracts primarily in over-the-counter (“OTC”) markets. We also execute minimal amounts of interest rate and commodity futures in the exchange-traded derivative markets. Our OTC derivatives consist of both centrally cleared and uncleared bilateral contracts. In our centrally cleared contracts, our counterparties are central counterparty clearinghouses (“CCPs”), such as the Chicago Mercantile Exchange (“CME”) and the LCH Group (“LCH”). In our uncleared bilateral contracts, we enter into agreements directly with our derivative counterparties.

***Counterparty Credit Risk Management***

We manage the counterparty credit risk associated with derivative instruments by entering into legally enforceable master netting arrangements, where possible, and exchanging collateral with our counterparties, typically in the form of cash or high-quality liquid securities. The amount of collateral exchanged is dependent upon the fair value of the derivative instruments as well as the fair value of the pledged collateral. When valuing collateral, an estimate of the variation in price and liquidity over time is subtracted in the form of a “haircut” to discount the value of the collateral pledged. Our exposure to derivative counterparty credit risk, at any point in time, is equal to the amount reported as a derivative asset on our balance sheet. The fair value of our derivatives is adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and any associated cash collateral received or pledged. See Table 9.3 for our net exposure associated with derivatives.

The terms under which we collateralize our exposures differ between cleared exposures and uncleared bilateral exposures.

|  |  |
| --- | --- |
|  |  |
| • | *CCPs*: We clear eligible OTC derivatives with CCPs as part of our regulatory requirements. Futures commission merchants (“FCMs”) serve as the intermediary between CCPs and us. CCPs require that we post initial and variation margin through our FCMs to mitigate the risk of non-payment or default. Initial margin is required upfront by CCPs as collateral against potential losses on our cleared derivative contracts. Variation margin is exchanged on a daily basis to account for mark-to-market changes in the derivative contracts. For CME and LCH-cleared OTC derivatives, we characterize variation margin cash payments as settlements. Our FCM agreements governing these derivative transactions include provisions that may require us to post additional collateral under certain circumstances. |

|  |  |
| --- | --- |
|  |  |
| • | *Bilateral Counterparties*: We enter into legally enforceable master netting agreements and collateral agreements, where possible, with bilateral derivative counterparties to mitigate the risk of default. We review our collateral positions on a daily basis and exchange collateral with our counterparties in accordance with these agreements. These bilateral agreements typically provide the right to offset exposure with the same counterparty and require the party in a net liability position to post collateral. Agreements with certain bilateral counterparties require both parties to maintain collateral in the event the fair values of derivative instruments exceed established exposure thresholds. Certain of these bilateral agreements include provisions requiring that our debt maintain a credit rating of investment grade or above by each of the major credit rating agencies. In the event of a downgrade of our debt credit rating below investment grade, some of our counterparties would have the right to terminate their derivative contract and close out existing positions. |

***Credit Risk Valuation Adjustments***

We record counterparty credit valuation adjustments (“CVAs”) on our derivative assets to reflect the credit quality of our counterparties. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining CVAs, which may be adjusted in future periods due to changes in the fair values of the derivative contracts, collateral, and creditworthiness of the counterparty. We also record debit valuation adjustments (“DVAs”) to adjust the fair values of our derivative liabilities to reflect the impact of our own credit quality.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 106 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Balance Sheet Presentation**

The following table summarizes the notional amounts and fair values of our derivative instruments as of September 30, 2019 and December 31, 2018, which are segregated by derivatives that are designated as accounting hedges and those that are not, and are further segregated by type of contract within those two categories. The total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and any associated cash collateral received or pledged. Derivative assets and liabilities are included in other assets and other liabilities, respectively, on our consolidated balance sheets, and their related gains or losses are included in operating activities as changes in other assets and other liabilities in the consolidated statements of cash flows.

**Table 9.1: Derivative Assets and Liabilities at Fair Value**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | |  | **December 31, 2018** | | | | | | | | | | |
|  |  | **Notional or**  **Contractual**  **Amount** | | |  | **Derivative(1)** | | | | | | |  | **Notional or**  **Contractual**  **Amount** | | |  | **Derivative(1)** | | | | | | |
| *(Dollars in millions)* |  | **Assets** | | |  | **Liabilities** | | |  | **Assets** | | |  | **Liabilities** | | |
| **Derivatives designated as accounting hedges:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Fair value hedges |  | **$** | **59,208** |  |  | **$** | **9** |  |  | **$** | **34** |  |  | $ | 53,413 |  |  | $ | 64 |  |  | $ | 28 |  |
| Cash flow hedges |  | **90,451** | |  |  | **433** | |  |  | **10** | |  |  | 81,200 | |  |  | 83 | |  |  | 70 | |  |
| Total interest rate contracts |  | **149,659** | |  |  | **442** | |  |  | **44** | |  |  | 134,613 | |  |  | 147 | |  |  | 98 | |  |
| Foreign exchange contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Fair value hedges |  | **1,362** | |  |  | **2** | |  |  | **20** | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |
| Cash flow hedges |  | **5,583** | |  |  | **31** | |  |  | **36** | |  |  | 5,745 | |  |  | 184 | |  |  | 2 | |  |
| Net investment hedges |  | **2,640** | |  |  | **78** | |  |  | **0** | |  |  | 2,607 | |  |  | 178 | |  |  | 0 | |  |
| Total foreign exchange contracts |  | **9,585** | |  |  | **111** | |  |  | **56** | |  |  | 8,352 | |  |  | 362 | |  |  | 2 | |  |
| Total derivatives designated as accounting hedges |  | **159,244** | |  |  | **553** | |  |  | **100** | |  |  | 142,965 | |  |  | 509 | |  |  | 100 | |  |
| **Derivatives not designated as accounting hedges:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Customer accommodation: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts |  | **57,080** | |  |  | **677** | |  |  | **119** | |  |  | 49,386 | |  |  | 190 | |  |  | 256 | |  |
| Commodity contracts |  | **14,330** | |  |  | **988** | |  |  | **941** | |  |  | 10,673 | |  |  | 797 | |  |  | 786 | |  |
| Foreign exchange and other contracts |  | **2,720** | |  |  | **37** | |  |  | **30** | |  |  | 1,418 | |  |  | 12 | |  |  | 11 | |  |
| Total customer accommodation |  | **74,130** | |  |  | **1,702** | |  |  | **1,090** | |  |  | 61,477 | |  |  | 999 | |  |  | 1,053 | |  |
| Other interest rate exposures(2) |  | **6,843** | |  |  | **55** | |  |  | **55** | |  |  | 6,427 | |  |  | 29 | |  |  | 36 | |  |
| Other contracts |  | **3,552** | |  |  | **67** | |  |  | **20** | |  |  | 1,636 | |  |  | 2 | |  |  | 12 | |  |
| Total derivatives not designated as accounting hedges |  | **84,525** | |  |  | **1,824** | |  |  | **1,165** | |  |  | 69,540 | |  |  | 1,030 | |  |  | 1,101 | |  |
| Total derivatives |  | **$** | **243,769** |  |  | **$** | **2,377** |  |  | **$** | **1,265** |  |  | $ | 212,505 |  |  | $ | 1,539 |  |  | $ | 1,201 |  |
| Less: netting adjustment(3) | | | | |  | **(1,173** | | **)** |  | **(378** | | **)** |  |  | | |  | (1,079 | | ) |  | (287 | | ) |
| Total derivative assets/liabilities | | | | |  | **$** | **1,204** |  |  | **$** | **887** |  |  |  | | |  | $ | 460 |  |  | $ | 914 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Does not reflect $9 million and $2 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of September 30, 2019 and December 31, 2018, respectively. Non-performance risk is included in derivative assets and liabilities, which are part of other assets and liabilities on the consolidated balance sheets, and is offset through non-interest income in the consolidated statements of income. |

|  |  |
| --- | --- |
|  |  |
| (2) | Other interest rate exposures include commercial mortgage-related derivatives and interest rate swaps. |

|  |  |
| --- | --- |
|  |  |
| (3) | Represents balance sheet netting of derivative assets and liabilities, and related payables and receivables for cash collateral held or placed with the same counterparty. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 107 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table summarizes the carrying value of our hedged assets and liabilities in fair value hedges and the associated cumulative basis adjustments included in those carrying values, excluding basis adjustments related to foreign currency risk, as of September 30, 2019 and December 31, 2018.

**Table 9.2: Hedged Items in Fair Value Hedging Relationships**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | |  | **December 31, 2018** | | | | | | | | | | |
|  |  | **Carrying Amount**  **Assets/(Liabilities)** | | |  | **Cumulative Amount of Basis Adjustments Included in the Carrying Amount** | | | | | | |  | **Carrying Amount**  **Assets/(Liabilities)** | | |  | **Cumulative Amount of Basis Adjustments Included in the Carrying Amount** | | | | | | |
| *(Dollars in millions)* |  |  | **Total**  **Assets/(Liabilities)** | | |  | **Discontinued-Hedging Relationships** | | |  |  | **Total**  **Assets/(Liabilities)** | | |  | **Discontinued-Hedging Relationships** | | |
| **Line item on our consolidated balance sheets in which the hedged item is included:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Investment securities available for sale(1)(2) |  | **$** | **12,864** |  |  | **$** | **399** |  |  | **$** | **24** |  |  | $ | 14,067 |  |  | $ | (6 | ) |  | $ | (2 | ) |
| Interest-bearing deposits |  | **(15,292** | | **)** |  | **(42** | | **)** |  | **0** | |  |  | (13,101 | | ) |  | 247 | |  |  | 0 | |  |
| Securitized debt obligations |  | **(10,249** | | **)** |  | **3** | |  |  | **78** | |  |  | (5,887 | | ) |  | 168 | |  |  | 143 | |  |
| Senior and subordinated notes |  | **(27,201** | | **)** |  | **(774** | | **)** |  | **294** | |  |  | (23,572 | | ) |  | 315 | |  |  | 392 | |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | These amounts include the amortized cost basis of our investment securities designated in hedging relationships for which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. The amortized cost basis of this portfolio was $8.2 billion and $8.3 billion, the amount of the designated hedged items was $3.8 billion and $4.0 billion, and the cumulative basis adjustment associated with these hedges was $141 million and $26 million as of September 30, 2019 and December 31, 2018, respectively. |

|  |  |
| --- | --- |
|  |  |
| (2) | Carrying value represents amortized cost. |

**Balance Sheet Offsetting of Financial Assets and Liabilities**

Derivative contracts and repurchase agreements that we execute bilaterally in the OTC market are generally governed by enforceable master netting arrangements where we generally have the right to offset exposure with the same counterparty. Either counterparty can generally request to net settle all contracts through a single payment upon default on, or termination of, any one contract. We elect to offset the derivative assets and liabilities under netting arrangements for balance sheet presentation where a right of setoff exists. For derivative contracts entered into under master netting arrangements for which we have not been able to confirm the enforceability of the setoff rights, or those not subject to master netting arrangements, we do not offset our derivative positions for balance sheet presentation.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 108 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents the gross and net fair values of our derivative assets, derivative liabilities, repurchase agreements and the related offsetting amounts permitted under U.S. GAAP as of September 30, 2019 and December 31, 2018. The table also includes cash and non-cash collateral received or pledged in accordance with such arrangements. The amount of collateral presented, however, is limited to the amount of the related net derivative fair values or outstanding balances; therefore, instances of over-collateralization are excluded.

**Table 9.3: Offsetting of Financial Assets and Financial Liabilities**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Gross**  **Amounts** | | |  | **Gross Amounts Offset in the Balance Sheet** | | | | | | |  | **Net Amounts as Recognized** | | |  | **Securities Collateral Held Under Master Netting Agreements** | | |  |  | | |
| *(Dollars in millions)* |  |  | **Financial**  **Instruments** | | |  | **Cash Collateral Received** | | |  |  |  | **Net**  **Exposure** | | |
| **As of September 30, 2019** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Derivative assets(1) |  | **$** | **2,377** |  |  | **$** | **(333** | **)** |  | **$** | **(840** | **)** |  | **$** | **1,204** |  |  | **$** | **0** |  |  | **$** | **1,204** |  |
| As of December 31, 2018 |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Derivative assets(1) |  | 1,539 | |  |  | (205 | | ) |  | (874 | | ) |  | 460 | |  |  | 0 | |  |  | 460 | |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Gross**  **Amounts** | | |  | **Gross Amounts Offset in the Balance Sheet** | | | | | | |  | **Net Amounts as Recognized** | | |  | **Securities Collateral Pledged Under Master Netting Agreements** | | |  |  | | |
| *(Dollars in millions)* |  |  | **Financial**  **Instruments** | | |  | **Cash Collateral Pledged** | | |  |  |  | **Net**  **Exposure** | | |
| **As of September 30, 2019** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Derivative liabilities(1) |  | **$** | **1,265** |  |  | **$** | **(333** | **)** |  | **$** | **(45** | **)** |  | **$** | **887** |  |  | **$** | **0** |  |  | **$** | **887** |  |
| Repurchase agreements(2) |  | **363** | |  |  | **0** | |  |  | **0** | |  |  | **363** | |  |  | **(363** | | **)** |  | **0** | |  |
| As of December 31, 2018 |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Derivative liabilities(1) |  | 1,201 | |  |  | (205 | | ) |  | (82 | | ) |  | 914 | |  |  | 0 | |  |  | 914 | |  |
| Repurchase agreements(2) |  | 352 | |  |  | 0 | |  |  | 0 | |  |  | 352 | |  |  | (352 | | ) |  | 0 | |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | We received cash collateral from derivative counterparties totaling $891 million and $925 million as of September 30, 2019 and December 31, 2018, respectively. We also received securities from derivative counterparties with a fair value of approximately $1 million as of both September 30, 2019 and December 31, 2018, which we have the ability to re-pledge. We posted $858 million and $633 million of cash collateral as of September 30, 2019 and December 31, 2018, respectively. |

|  |  |
| --- | --- |
|  |  |
| (2) | Represents customer repurchase agreements that mature the next business day. As of September 30, 2019 and December 31, 2018, we pledged collateral with a fair value of $371 million and $359 million, respectively, under these customer repurchase agreements, which were primarily agency RMBS securities. |

**Income Statement and AOCI Presentation**

***Fair Value and Cash Flow Hedges***

The net gains (losses) recognized in our consolidated statements of income related to derivatives in fair value and cash flow hedging relationships are presented below for the three and nine months ended September 30, 2019 and 2018.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 109 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Table 9.4: Effects of Fair Value and Cash Flow Hedge Accounting**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Net Interest Income** | | | | | | | | | | | | | | | | | | | | | | |  | **Non-Interest Income** | | |
| *(Dollars in millions)* |  | **Investment Securities** | | |  | **Loans, Including Loans Held for Sale** | | |  | **Other** | | |  | **Interest-bearing Deposits** | | |  | **Securitized Debt Obligations** | | |  | **Senior and Subordinated Notes** | | |  | **Other** | | |
| **Total amounts presented in our consolidated statements of income** |  | **$** | **583** |  |  | **$** | **6,429** |  |  | **$** | **63** |  |  | **$** | **(901** | **)** |  | **$** | **(123** | **)** |  | **$** | **(299** | **)** |  | **$** | **144** |  |
| **Fair value hedging relationships:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate and foreign exchange contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest recognized on derivatives |  | **$** | **(3** | **)** |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **(26** | **)** |  | **$** | **(5** | **)** |  | **$** | **(3** | **)** |  | **$** | **0** |  |
| Gains (losses) recognized on derivatives |  | **(80** | | **)** |  | **0** | |  |  | **0** | |  |  | **46** | |  |  | **(10** | | **)** |  | **216** | |  |  | **(60** | | **)** |
| Gains (losses) recognized on hedged items(1) |  | **81** | |  |  | **0** | |  |  | **0** | |  |  | **(46** | | **)** |  | **(6** | | **)** |  | **(261** | | **)** |  | **58** | |  |
| Excluded component of fair value hedges(2) |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **(1** | | **)** |  | **0** | |  |
| Net expense recognized on fair value hedges |  | **$** | **(2** | **)** |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **(26** | **)** |  | **$** | **(21** | **)** |  | **$** | **(49** | **)** |  | **$** | **(2** | **)** |
| **Cash flow hedging relationships:(3)** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Realized losses reclassified from AOCI into net income |  | **$** | **(1** | **)** |  | **$** | **(43** | **)** |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |
| Foreign exchange contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Realized gains reclassified from AOCI into net income(4) |  | **0** | |  |  | **0** | |  |  | **12** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **1** | |  |
| Net income (expense) recognized on cash flow hedges |  | **$** | **(1** | **)** |  | **$** | **(43** | **)** |  | **$** | **12** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **1** |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 110 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Net Interest Income** | | | | | | | | | | | | | | | | | | | | | | |  | **Non-Interest Income** | | |
| *(Dollars in millions)* |  | **Investment Securities** | | |  | **Loans, Including Loans Held for Sale** | | |  | **Other** | | |  | **Interest-bearing Deposits** | | |  | **Securitized Debt Obligations** | | |  | **Senior and Subordinated Notes** | | |  | **Other** | | |
| **Total amounts presented in our consolidated statements of income** |  | **$** | **1,867** |  |  | **$** | **19,180** |  |  | **$** | **196** |  |  | **$** | **(2,588** | **)** |  | **$** | **(405** | **)** |  | **$** | **(923** | **)** |  | **$** | **492** |  |
| **Fair value hedging relationships:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate and foreign exchange contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest recognized on derivatives |  | **$** | **(2** | **)** |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **(95** | **)** |  | **$** | **(17** | **)** |  | **$** | **(24** | **)** |  | **$** | **0** |  |
| Gains (losses) recognized on derivatives |  | **(366** | | **)** |  | **0** | |  |  | **0** | |  |  | **295** | |  |  | **102** | |  |  | **968** | |  |  | **(49** | | **)** |
| Gains (losses) recognized on hedged items(1) |  | **365** | |  |  | **0** | |  |  | **0** | |  |  | **(289** | | **)** |  | **(165** | | **)** |  | **(1,092** | | **)** |  | **48** | |  |
| Excluded component of fair value hedges(2) |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **(1** | | **)** |  | **0** | |  |
| Net expense recognized on fair value hedges |  | **$** | **(3** | **)** |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **(89** | **)** |  | **$** | **(80** | **)** |  | **$** | **(149** | **)** |  | **$** | **(1** | **)** |
| **Cash flow hedging relationships:(3)** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Realized losses reclassified from AOCI into net income |  | **$** | **(8** | **)** |  | **$** | **(158** | **)** |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |
| Foreign exchange contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Realized gains reclassified from AOCI into net income(4) |  | **0** | |  |  | **0** | |  |  | **37** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |  | **0** | |  |
| Net income (expense) recognized on cash flow hedges |  | **$** | **(8** | **)** |  | **$** | **(158** | **)** |  | **$** | **37** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | **$** | **0** |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 111 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | | | | | |  |  | | |
|  |  | **Net Interest Income** | | | | | | | | | | | | | | | | | | | | | | |  | **Non-Interest Income** | | |
| *(Dollars in millions)* |  | **Investment Securities** | | |  | **Loans, Including Loans Held for Sale** | | |  | **Other** | | |  | **Interest-bearing Deposits** | | |  | **Securitized Debt Obligations** | | |  | **Senior and Subordinated Notes** | | |  | **Other** | | |
| **Total amounts presented in our consolidated statements of income** |  | $ | 593 |  |  | $ | 6,247 |  |  | $ | 55 |  |  | $ | (681 | ) |  | $ | (127 | ) |  | $ | (288 | ) |  | $ | 248 |  |
| **Fair value hedging relationships:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest recognized on derivatives |  | $ | (5 | ) |  | $ | 0 |  |  | $ | 0 |  |  | $ | (25 | ) |  | $ | (21 | ) |  | $ | (8 | ) |  | $ | 0 |  |
| Gains (losses) recognized on derivatives |  | 77 | |  |  | 0 | |  |  | 0 | |  |  | (14 | | ) |  | (4 | | ) |  | (148 | | ) |  | 0 | |  |
| Gains (losses) recognized on hedged items(1) |  | (79 | | ) |  | 0 | |  |  | 0 | |  |  | 16 | |  |  | 5 | |  |  | 136 | |  |  | 0 | |  |
| Net expense recognized on fair value hedges |  | $ | (7 | ) |  | $ | 0 |  |  | $ | 0 |  |  | $ | (23 | ) |  | $ | (20 | ) |  | $ | (20 | ) |  | $ | 0 |  |
| **Cash flow hedging relationships:(3)** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Realized losses reclassified from AOCI into net income |  | $ | (5 | ) |  | $ | (31 | ) |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |
| Foreign exchange contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Realized gains reclassified from AOCI into net income(4) |  | 0 | |  |  | 0 | |  |  | 14 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |
| Net income (expense) recognized on cash flow hedges |  | $ | (5 | ) |  | $ | (31 | ) |  | $ | 14 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 112 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | | | | | |  |  | | |
|  |  | **Net Interest Income** | | | | | | | | | | | | | | | | | | | | | | |  | **Non-Interest Income** | | |
| *(Dollars in millions)* |  | **Investment Securities** | | |  | **Loans, Including Loans Held for Sale** | | |  | **Other** | | |  | **Interest-bearing Deposits** | | |  | **Securitized Debt Obligations** | | |  | **Senior and Subordinated Notes** | | |  | **Other** | | |
| **Total amounts presented in our consolidated statements of income** |  | $ | 1,584 |  |  | $ | 18,370 |  |  | $ | 174 |  |  | $ | (1,842 | ) |  | $ | (358 | ) |  | $ | (828 | ) |  | $ | 884 |  |
| **Fair value hedging relationships:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest recognized on derivatives |  | $ | (22 | ) |  | $ | 0 |  |  | $ | 0 |  |  | $ | (48 | ) |  | $ | (44 | ) |  | $ | 6 |  |  | $ | 0 |  |
| Gains (losses) recognized on derivatives |  | 260 | |  |  | 0 | |  |  | 0 | |  |  | (211 | | ) |  | (122 | | ) |  | (659 | | ) |  | 0 | |  |
| Gains (losses) recognized on hedged items(1) |  | (259 | | ) |  | 0 | |  |  | 0 | |  |  | 203 | |  |  | 118 | |  |  | 610 | |  |  | 0 | |  |
| Net expense recognized on fair value hedges |  | $ | (21 | ) |  | $ | 0 |  |  | $ | 0 |  |  | $ | (56 | ) |  | $ | (48 | ) |  | $ | (43 | ) |  | $ | 0 |  |
| **Cash flow hedging relationships:(3)** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Realized losses reclassified from AOCI into net income |  | $ | (9 | ) |  | $ | (40 | ) |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |
| Foreign exchange contracts: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Realized gains (losses) reclassified from AOCI into net income(4) |  | 0 | |  |  | 0 | |  |  | 33 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | (1 | | ) |
| Net income (expense) recognized on cash flow hedges |  | $ | (9 | ) |  | $ | (40 | ) |  | $ | 33 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | (1 | ) |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes amortization expense of $60 million and $177 million for the three and nine months ended September 30, 2019, respectively, and amortization expense of $19 million and $25 million for the three and nine months ended September 30, 2018, respectively, related to basis adjustments on discontinued hedges. |

|  |  |
| --- | --- |
|  |  |
| (2) | Changes in fair values of cross-currency swaps attributable to changes in cross-currency basis spreads are excluded from the assessment of hedge effectiveness and recorded in other comprehensive income. The initial value of the excluded component is recognized in earnings over the life of the swap under the amortization approach. |

|  |  |
| --- | --- |
|  |  |
| (3) | See “Note 10—Stockholders’ Equity” for the effects of cash flow and net investment hedges on AOCI and amounts reclassified to net income, net of tax. |

|  |  |
| --- | --- |
|  |  |
| (4) | We recognized a gain of $71 million and a loss of $224 million for the three and nine months ended September 30, 2019, respectively, and a loss of $142 million and a gain of $34 million for the three and nine months ended September 30, 2018, respectively, on foreign exchange contracts reclassified from AOCI. These amounts were largely offset by the foreign currency transaction gains (losses) on our foreign currency denominated intercompany funding included other non-interest income. |

In the next 12 months, we expect to reclassify to earnings net after-tax losses of $94 million recorded in AOCI as of September 30, 2019. These amounts will offset the cash flows associated with the hedged forecasted transactions. The maximum length of time over which forecasted transactions were hedged was approximately 7 years as of September 30, 2019. The amount we expect to reclassify into earnings may change as a result of changes in market conditions and ongoing actions taken as part of our overall risk management strategy.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 113 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***Free-Standing Derivatives***

The net impacts to our consolidated statements of income related to free-standing derivatives are presented below for the three and nine months ended September 30, 2019 and 2018. These gains or losses are recognized in other non-interest income in our consolidated statements of income.

**Table 9.5: Gains (Losses) on Free-Standing Derivatives**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| **Gains (losses) recognized in other non-interest income:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Customer accommodation: |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts |  | **$** | **18** |  |  | $ | 4 |  |  | **$** | **28** |  |  | $ | 18 |  |
| Commodity contracts |  | **8** | |  |  | 0 | |  |  | **17** | |  |  | 8 | |  |
| Foreign exchange and other contracts |  | **3** | |  |  | 1 | |  |  | **10** | |  |  | 5 | |  |
| Total customer accommodation |  | **29** | |  |  | 5 | |  |  | **55** | |  |  | 31 | |  |
| Other interest rate exposures |  | **(1** | | **)** |  | 11 | |  |  | **(15** | | **)** |  | 32 | |  |
| Other contracts |  | **(7** | | **)** |  | (2 | | ) |  | **(9** | | **)** |  | (22 | | ) |
| Total |  | **$** | **21** |  |  | $ | 14 |  |  | **$** | **31** |  |  | $ | 41 |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 114 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 10—STOCKHOLDERS’ EQUITY** |

**Preferred Stock**

The following table summarizes our preferred stock outstanding as of September 30, 2019 and December 31, 2018.

**Table 10.1: Preferred Stock Outstanding(1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  | **Redeemable by Issuer Beginning** |  | **Per Annum Dividend Rate** |  | **Dividend Frequency** |  | **Liquidation Preference per Share** | | |  |  | |  | **Carrying Value**  **(in millions)** | | | | | | |
| **Series** |  | **Description** |  | **Issuance Date** |  |  |  |  |  | **Total Shares Outstanding** | |  | **September 30, 2019** | | |  | **December 31, 2018** | | |
| **Series B** |  | 6.00%  Non-Cumulative |  | August 20, 2012 |  | September 1, 2017 |  | 6.00% |  | Quarterly |  | $ | 1,000 |  |  | 875,000 |  |  | **$** | **853** |  |  | $ | 853 |  |
| **Series C** |  | 6.25%  Non-Cumulative |  | June 12, 2014 |  | September 1, 2019 |  | 6.25 |  | Quarterly |  | 1,000 | |  |  | 500,000 |  |  | **484** | |  |  | 484 | |  |
| **Series D** |  | 6.70%  Non-Cumulative |  | October 31, 2014 |  | December 1, 2019 |  | 6.70 |  | Quarterly |  | 1,000 | |  |  | 500,000 |  |  | **485** | |  |  | 485 | |  |
| **Series E** |  | Fixed-to-Floating Rate  Non-Cumulative |  | May 14, 2015 |  | June 1, 2020 |  | 5.55% through 5/31/2020;  3-mo. LIBOR+ 380 bps thereafter |  | Semi-Annually through 5/31/2020; Quarterly thereafter |  | 1,000 | |  |  | 1,000,000 |  |  | **988** | |  |  | 988 | |  |
| **Series F** |  | 6.20%  Non-Cumulative |  | August 24, 2015 |  | December 1, 2020 |  | 6.20 |  | Quarterly |  | 1,000 | |  |  | 500,000 |  |  | **484** | |  |  | 484 | |  |
| **Series G** |  | 5.20%  Non-Cumulative |  | July 29, 2016 |  | December 1, 2021 |  | 5.20 |  | Quarterly |  | 1,000 | |  |  | 600,000 |  |  | **583** | |  |  | 583 | |  |
| **Series H** |  | 6.00%  Non-Cumulative |  | November 29, 2016 |  | December 1, 2021 |  | 6.00 |  | Quarterly |  | 1,000 | |  |  | 500,000 |  |  | **483** | |  |  | 483 | |  |
| **Series I** |  | 5.00%  Non-Cumulative |  | September 11, 2019 |  | December 1, 2024 |  | 5.00 |  | Quarterly |  | 1,000 | |  |  | 1,500,000 |  |  | **1,463** | |  |  | 0 | |  |
| **Total** |  |  |  |  |  |  |  |  |  |  |  |  | | |  |  | |  | **$** | **5,823** |  |  | $ | 4,360 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Except for Series E, ownership is held in the form of depositary shares, each representing a 1/40th interest in a share of fixed-rate non-cumulative perpetual preferred stock. |

**Accumulated Other Comprehensive Income**

Accumulated other comprehensive income primarily consists of accumulated net unrealized gains or losses associated with securities available for sale and securities held to maturity, changes in fair value of derivatives in hedging relationships, and foreign currency translation adjustments. Unrealized gains or losses for securities held to maturity are amortized over the remaining life of the security with no expected impact on future net income as amortization of these gains or losses will be offset by the amortization of the premium or discount created from the transfer of securities from available to sale to held to maturity.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 115 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table includes the AOCI impacts from the adoption of accounting standards and the changes in AOCI by component for the three and nine months ended September 30, 2019 and 2018.

**Table 10.2: Accumulated Other Comprehensive Income (Loss)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Securities**  **Available**  **for Sale** | | |  | **Securities Held to Maturity** | | |  | **Hedging Relationships(1)** | | |  | **Foreign Currency Translation Adjustments(2)** | | |  | **Other** | | |  | **Total** | | |
| AOCI as of June 30, 2019 |  | $ | 125 |  |  | $ | (178 | ) |  | $ | 396 |  |  | $ | (132 | ) |  | $ | (41 | ) |  | $ | 170 |  |
| Other comprehensive income (loss) before reclassifications |  | **103** | |  |  | **0** | |  |  | **218** | |  |  | **(12** | | **)** |  | **0** | |  |  | **309** | |  |
| Amounts reclassified from AOCI into earnings |  | **(3** | | **)** |  | **8** | |  |  | **(29** | | **)** |  | **0** | |  |  | **(2** | | **)** |  | **(26** | | **)** |
| Other comprehensive income (loss), net of tax |  | **100** | |  |  | **8** | |  |  | **189** | |  |  | **(12** | | **)** |  | **(2** | | **)** |  | **283** | |  |
| AOCI as of September 30, 2019 |  | **$** | **225** |  |  | **$** | **(170** | **)** |  | **$** | **585** |  |  | **$** | **(144** | **)** |  | **$** | **(43** | **)** |  | **$** | **453** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Securities**  **Available**  **for Sale** | | |  | **Securities Held to Maturity** | | |  | **Hedging Relationships(1)** | | |  | **Foreign Currency Translation Adjustments(2)** | | |  | **Other** | | |  | **Total** | | |
| AOCI as of December 31, 2018 |  | $ | (439 | ) |  | $ | (190 | ) |  | $ | (418 | ) |  | $ | (177 | ) |  | $ | (39 | ) |  | $ | (1,263 | ) |
| Other comprehensive income (loss) before reclassifications |  | **697** | |  |  | **0** | |  |  | **735** | |  |  | **33** | |  |  | **(1** | | **)** |  | **1,464** | |  |
| Amounts reclassified from AOCI into earnings |  | **(33** | | **)** |  | **20** | |  |  | **268** | |  |  | **0** | |  |  | **(3** | | **)** |  | **252** | |  |
| Other comprehensive income (loss), net of tax |  | **664** | |  |  | **20** | |  |  | **1,003** | |  |  | **33** | |  |  | **(4** | | **)** |  | **1,716** | |  |
| AOCI as of September 30, 2019 |  | **$** | **225** |  |  | **$** | **(170** | **)** |  | **$** | **585** |  |  | **$** | **(144** | **)** |  | **$** | **(43** | **)** |  | **$** | **453** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Securities Available for Sale** | | |  | **Securities Held to Maturity** | | |  | **Cash Flow Hedges** | | |  | **Foreign Currency Translation Adjustments(2)** | | |  | **Other** | | |  | **Total** | | |
| AOCI as of June 30, 2018 |  | $ | (630 | ) |  | $ | (204 | ) |  | $ | (775 | ) |  | $ | (155 | ) |  | $ | (29 | ) |  | $ | (1,793 | ) |
| Other comprehensive income (loss) before reclassifications |  | (172 | | ) |  | 0 | |  |  | (206 | | ) |  | 13 | |  |  | (1 | | ) |  | (366 | | ) |
| Amounts reclassified from AOCI into earnings |  | 149 | |  |  | 8 | |  |  | 125 | |  |  | 0 | |  |  | 0 | |  |  | 282 | |  |
| Other comprehensive income (loss), net of tax |  | (23 | | ) |  | 8 | |  |  | (81 | | ) |  | 13 | |  |  | (1 | | ) |  | (84 | | ) |
| AOCI as of September 30, 2018 |  | $ | (653 | ) |  | $ | (196 | ) |  | $ | (856 | ) |  | $ | (142 | ) |  | $ | (30 | ) |  | $ | (1,877 | ) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Securities Available for Sale** | | |  | **Securities Held to Maturity** | | |  | **Cash Flow Hedges** | | |  | **Foreign Currency Translation Adjustments(2)** | | |  | **Other** | | |  | **Total** | | |
| AOCI as of December 31, 2017 |  | $ | 17 |  |  | $ | (524 | ) |  | $ | (281 | ) |  | $ | (138 | ) |  | $ | 0 |  |  | $ | (926 | ) |
| Cumulative effects from adoption of new accounting standards |  | 3 | |  |  | (113 | | ) |  | (63 | | ) |  | 0 | |  |  | (28 | | ) |  | (201 | | ) |
| Transfer of securities held to maturity to available for sale(3) |  | (325 | | ) |  | 407 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 82 | |  |
| Other comprehensive loss before reclassifications |  | (491 | | ) |  | 0 | |  |  | (498 | | ) |  | (4 | | ) |  | 0 | |  |  | (993 | | ) |
| Amounts reclassified from AOCI into earnings |  | 143 | |  |  | 34 | |  |  | (14 | | ) |  | 0 | |  |  | (2 | | ) |  | 161 | |  |
| Other comprehensive income (loss), net of tax |  | (673 | | ) |  | 441 | |  |  | (512 | | ) |  | (4 | | ) |  | (2 | | ) |  | (750 | | ) |
| AOCI as of September 30, 2018 |  | $ | (653 | ) |  | $ | (196 | ) |  | $ | (856 | ) |  | $ | (142 | ) |  | $ | (30 | ) |  | $ | (1,877 | ) |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes amounts related to cash flow hedges as well as the excluded component of cross-currency swaps designated as fair value hedges where changes in cross-currency basis spreads are excluded from the assessment of hedge effectiveness. |

|  |  |
| --- | --- |
|  |  |
| (2) | Includes other comprehensive gains of $67 million and $86 million for the three and nine months ended September 30, 2019, respectively, and other comprehensive gains of $28 million and $91 million for the three and nine months ended September 30, 2018, respectively, from hedging instruments designated as net investment hedges. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 116 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |
| --- | --- |
|  |  |
| (3) | In the first quarter of 2018, we made a one-time transfer of held to maturity securities with a carrying value of $9.0 billion to available for sale as a result of our adoption of ASU No. 2017-12, Derivatives and Hedging (Topic 815): *Targeted Improvements to Accounting for Hedging Activities*. This transfer resulted in an after-tax gain of $82 million ($107 million pre-tax) to AOCI. |

The following table presents amounts reclassified from each component of AOCI to our consolidated statements of income for the three and nine months ended September 30, 2019 and 2018.

**Table 10.3: Reclassifications from AOCI**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(Dollars in millions)* |  |  |  | **Three Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| **AOCI Components** |  | **Affected Income Statement Line Item** |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| Securities available for sale: |  |  |  |  | | |  |  | | |  |  | | |  |  | | |
|  |  | Non-interest income |  | **$** | **5** |  |  | $ | (196 | ) |  | **$** | **44** |  |  | $ | (188 | ) |
|  |  | Income tax provision |  | **2** | |  |  | (47 | | ) |  | **11** | |  |  | (45 | | ) |
|  |  | Net income |  | **3** | |  |  | (149 | | ) |  | **33** | |  |  | (143 | | ) |
| Securities held to maturity:(1) |  |  |  |  | | |  |  | | |  |  | | |  |  | | |
|  |  | Interest income |  | **(10** | | **)** |  | (10 | | ) |  | **(26** | | **)** |  | (44 | | ) |
|  |  | Income tax provision |  | **(2** | | **)** |  | (2 | | ) |  | **(6** | | **)** |  | (10 | | ) |
|  |  | Net income |  | **(8** | | **)** |  | (8 | | ) |  | **(20** | | **)** |  | (34 | | ) |
| Hedging relationships: |  |  |  |  | | |  |  | | |  |  | | |  |  | | |
| Interest rate contracts: |  | Interest income |  | **(44** | | **)** |  | (36 | | ) |  | **(166** | | **)** |  | (49 | | ) |
| Foreign exchange contracts: |  | Interest income |  | **12** | |  |  | 13 | |  |  | **37** | |  |  | 33 | |  |
|  |  | Interest expense |  | **(1** | | **)** |  | 0 | |  |  | **(1** | | **)** |  | 0 | |  |
|  |  | Non-interest income |  | **71** | |  |  | (142 | | ) |  | **(224** | | **)** |  | 34 | |  |
|  |  | Income from continuing operations before income taxes |  | **38** | |  |  | (165 | | ) |  | **(354** | | **)** |  | 18 | |  |
|  |  | Income tax provision |  | **9** | |  |  | (40 | | ) |  | **(86** | | **)** |  | 4 | |  |
|  |  | Net income |  | **29** | |  |  | (125 | | ) |  | **(268** | | **)** |  | 14 | |  |
| Other: |  |  |  |  | | |  |  | | |  |  | | |  |  | | |
|  |  | Non-interest income and non-interest expense |  | **3** | |  |  | 1 | |  |  | **4** | |  |  | 3 | |  |
|  |  | Income tax provision |  | **1** | |  |  | 1 | |  |  | **1** | |  |  | 1 | |  |
|  |  | Net income |  | **2** | |  |  | 0 | |  |  | **3** | |  |  | 2 | |  |
| Total reclassifications | | |  | **$** | **26** |  |  | $ | (282 | ) |  | **$** | **(252** | **)** |  | $ | (161 | ) |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | The amortization of unrealized holding gains or losses reported in AOCI for securities held to maturity will be offset by the amortization of premium or discount created from the transfer of securities from available for sale to held to maturity, which occurred at fair value. These unrealized gains or losses will be amortized over the remaining life of the security with no expected impact on future net income. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 117 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The table below summarizes other comprehensive income (loss) activity and the related tax impact for the three and nine months ended September 30, 2019 and 2018.

**Table 10.4: Other Comprehensive Income (Loss)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | | | | | | |  | **2018** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Before**  **Tax** | | |  | **Provision**  **(Benefit)** | | |  | **After**  **Tax** | | |  | **Before**  **Tax** | | |  | **Provision**  **(Benefit)** | | |  | **After**  **Tax** | | |
| **Other comprehensive income (loss):** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Net unrealized gains (losses) on securities available for sale |  | **$** | **132** |  |  | **$** | **32** |  |  | **$** | **100** |  |  | $ | (31 | ) |  | $ | (8 | ) |  | $ | (23 | ) |
| Net changes in securities held to maturity |  | **10** | |  |  | **2** | |  |  | **8** | |  |  | 10 | |  |  | 2 | |  |  | 8 | |  |
| Net unrealized gains (losses) on hedging relationships |  | **249** | |  |  | **60** | |  |  | **189** | |  |  | (107 | | ) |  | (26 | | ) |  | (81 | | ) |
| Foreign currency translation adjustments(1) |  | **9** | |  |  | **21** | |  |  | **(12** | | **)** |  | 22 | |  |  | 9 | |  |  | 13 | |  |
| Other |  | **(2** | | **)** |  | **0** | |  |  | **(2** | | **)** |  | (1 | | ) |  | 0 | |  |  | (1 | | ) |
| Other comprehensive income (loss) |  | **$** | **398** |  |  | **$** | **115** |  |  | **$** | **283** |  |  | $ | (107 | ) |  | $ | (23 | ) |  | $ | (84 | ) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30,** | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **2019** | | | | | | | | | | |  | **2018** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Before**  **Tax** | | |  | **Provision**  **(Benefit)** | | |  | **After**  **Tax** | | |  | **Before**  **Tax** | | |  | **Provision**  **(Benefit)** | | |  | **After**  **Tax** | | |
| **Other comprehensive income (loss):** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Net unrealized gains (losses) on securities available for sale |  | **$** | **874** |  |  | **$** | **210** |  |  | **$** | **664** |  |  | $ | (888 | ) |  | $ | (215 | ) |  | $ | (673 | ) |
| Net changes in securities held to maturity |  | **26** | |  |  | **6** | |  |  | **20** | |  |  | 579 | |  |  | 138 | |  |  | 441 | |  |
| Net unrealized gains (losses) on hedging relationships |  | **1,322** | |  |  | **319** | |  |  | **1,003** | |  |  | (674 | | ) |  | (162 | | ) |  | (512 | | ) |
| Foreign currency translation adjustments(1) |  | **61** | |  |  | **28** | |  |  | **33** | |  |  | 25 | |  |  | 29 | |  |  | (4 | | ) |
| Other |  | **(5** | | **)** |  | **(1** | | **)** |  | **(4** | | **)** |  | (3 | | ) |  | (1 | | ) |  | (2 | | ) |
| Other comprehensive income (loss) |  | **$** | **2,278** |  |  | **$** | **562** |  |  | **$** | **1,716** |  |  | $ | (961 | ) |  | $ | (211 | ) |  | $ | (750 | ) |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes the impact of hedging instruments designated as net investment hedges. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 118 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 11—EARNINGS PER COMMON SHARE** |

The following table sets forth the computation of basic and diluted earnings per common share.

**Table 11.1: Computation of Basic and Diluted Earnings per Common Share**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** | | | | | | |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars and shares in millions, except per share data)* |  | **2019** | | |  | **2018** | | |  | **2019** | | |  | **2018** | | |
| Income from continuing operations, net of tax |  | **$** | **1,329** |  |  | $ | 1,501 |  |  | **$** | **4,355** |  |  | $ | 4,761 |  |
| Income (loss) from discontinued operations, net of tax |  | **4** | |  |  | 1 | |  |  | **15** | |  |  | (7 | | ) |
| Net income |  | **1,333** | |  |  | 1,502 | |  |  | **4,370** | |  |  | 4,754 | |  |
| Dividends and undistributed earnings allocated to participating securities |  | **(10** | | **)** |  | (9 | | ) |  | **(34** | | **)** |  | (32 | | ) |
| Preferred stock dividends |  | **(53** | | **)** |  | (53 | | ) |  | **(185** | | **)** |  | (185 | | ) |
| Net income available to common stockholders |  | **$** | **1,270** |  |  | $ | 1,440 |  |  | **$** | **4,151** |  |  | $ | 4,537 |  |
|  |  |  | | |  |  | | |  |  | | |  |  | | |
| Total weighted-average basic shares outstanding |  | **469.5** | |  |  | 477.8 | |  |  | **469.9** | |  |  | 483.2 | |  |
| Effect of dilutive securities: |  |  | | |  |  | | |  |  | | |  |  | | |
| Stock options |  | **1.3** | |  |  | 1.5 | |  |  | **1.2** | |  |  | 1.8 | |  |
| Other contingently issuable shares |  | **1.0** | |  |  | 1.1 | |  |  | **1.0** | |  |  | 1.1 | |  |
| Warrants(1) |  | **0.0** | |  |  | 0.5 | |  |  | **0.0** | |  |  | 0.6 | |  |
| Total effect of dilutive securities |  | **2.3** | |  |  | 3.1 | |  |  | **2.2** | |  |  | 3.5 | |  |
| Total weighted-average diluted shares outstanding |  | **471.8** | |  |  | 480.9 | |  |  | **472.1** | |  |  | 486.7 | |  |
| **Basic earnings per common share:** |  |  | | |  |  | | |  |  | | |  |  | | |
| Net income from continuing operations |  | **$** | **2.70** |  |  | $ | 3.01 |  |  | **$** | **8.80** |  |  | $ | 9.40 |  |
| Income (loss) from discontinued operations |  | **0.01** | |  |  | 0.00 | |  |  | **0.03** | |  |  | (0.01 | | ) |
| Net income per basic common share |  | **$** | **2.71** |  |  | $ | 3.01 |  |  | **$** | **8.83** |  |  | $ | 9.39 |  |
| **Diluted earnings per common share:(2)** |  |  | | |  |  | | |  |  | | |  |  | | |
| Net income from continuing operations |  | **$** | **2.68** |  |  | $ | 2.99 |  |  | **$** | **8.76** |  |  | $ | 9.33 |  |
| Income (loss) from discontinued operations |  | **0.01** | |  |  | 0.00 | |  |  | **0.03** | |  |  | (0.01 | | ) |
| Net income per diluted common share |  | **$** | **2.69** |  |  | $ | 2.99 |  |  | **$** | **8.79** |  |  | $ | 9.32 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Represents warrants issued as part of the U.S. Department of Treasury’s Troubled Assets Relief Program which had all been exercised or expired on November 14, 2018. |

|  |  |
| --- | --- |
|  |  |
| (2) | Excluded from the computation of diluted earnings per share were 92 thousand shares related to options with an exercise price of $86.34 for the nine months ended September 30, 2019, and 44 thousand shares related to awards for the nine months ended September 30, 2018, because their inclusion would be anti-dilutive. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 119 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 12—FAIR VALUE MEASUREMENT** |

Fair value, also referred to as an exit price, is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value accounting guidance provides a three-level fair value hierarchy for classifying financial instruments. This hierarchy is based on the markets in which the assets or liabilities trade and whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. The fair value measurement of a financial asset or liability is assigned a level based on the lowest level of any input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are described below:

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| Level 1: |  | Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2: |  | Valuation is based on observable market-based inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. |
| Level 3: |  | Valuation is generated from techniques that use significant assumptions not observable in the market. Valuation techniques include pricing models, discounted cash flow methodologies or similar techniques. |

The accounting guidance for fair value measurements requires that we maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. The accounting guidance provides for the irrevocable option to elect, on a contract-by-contract basis, to measure certain financial assets and liabilities at fair value at inception of the contract and record any subsequent changes in fair value in earnings. We have not made any material fair value option elections as of or for the periods disclosed herein.

The determination and classification of financial instruments in the fair value hierarchy is performed at the end of each reporting period. We consider all available information, including observable market data, indications of market liquidity and orderliness, and our understanding of the valuation techniques and significant inputs. For additional information on the valuation techniques used in estimating the fair value of our financial assets and liabilities on a recurring basis, see “Note 17—Fair Value Measurement” in our 2018 Form 10-K.

**Fair Value Governance and Control**

We have a governance framework and a number of key controls that are intended to ensure that our fair value measurements are appropriate and reliable. Our governance framework provides for independent oversight and segregation of duties. Our control processes include review and approval of new transaction types, price verification, and review of valuation judgments, methods, models, process controls and results.

Groups independent of our trading and investing functions participate in the review and validation process. Tasks performed by these groups include periodic verification of fair value measurements to determine if assigned fair values are reasonable, including comparing prices from vendor pricing services to other available market information.

Our Fair Value Committee (“FVC”), which includes representation from business areas, Risk Management and Finance, provides guidance and oversight to ensure an appropriate valuation control environment. The FVC regularly reviews and approves our fair valuations to ensure that our valuation practices are consistent with industry standards and adhere to regulatory and accounting guidance.

We have a model policy, established by an independent Model Risk Office, which governs the validation of models and related supporting documentation to ensure the appropriate use of models for pricing and fair value measurements. The Model Risk Office validates all models and provides ongoing monitoring of their performance.

The fair value governance process is set up in a manner that allows the Chairperson of the FVC to escalate valuation disputes that cannot be resolved by the FVC to a more senior committee called the Valuations Advisory Committee (“VAC”) for resolution. The VAC is chaired by the Chief Financial Officer and includes other members of senior management. The VAC convenes to review escalated valuation disputes.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 120 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following table displays our assets and liabilities measured on our consolidated balance sheets at fair value on a recurring basis as of September 30, 2019 and December 31, 2018.

**Table 12.1: Assets and Liabilities Measured at Fair Value on a Recurring Basis**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | |
|  |  | **Fair Value Measurements Using** | | | | | | | | | | |  | **Netting Adjustments(1)** | | |  |  | | |
| *(Dollars in millions)* |  | **Level 1** | | |  | **Level 2** | | |  | **Level 3** | | |  |  | **Total** | | |
| **Assets:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Securities available for sale: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| U.S. Treasury securities |  | **$** | **4,155** |  |  | **$** | **0** |  |  | **$** | **0** |  |  | — | |  |  | **$** | **4,155** |  |
| RMBS |  | **0** | |  |  | **34,873** | |  |  | **452** | |  |  | — | |  |  | **35,325** | |  |
| CMBS |  | **0** | |  |  | **5,388** | |  |  | **8** | |  |  | — | |  |  | **5,396** | |  |
| Other securities |  | **189** | |  |  | **1,103** | |  |  | **0** | |  |  | — | |  |  | **1,292** | |  |
| Total securities available for sale |  | **4,344** | |  |  | **41,364** | |  |  | **460** | |  |  | — | |  |  | **46,168** | |  |
| Other assets: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Derivative assets(2) |  | **25** | |  |  | **2,270** | |  |  | **82** | |  |  | **$** | **(1,173** | **)** |  | **1,204** | |  |
| Other(3) |  | **321** | |  |  | **0** | |  |  | **107** | |  |  | — | |  |  | **428** | |  |
| **Total assets** |  | **$** | **4,690** |  |  | **$** | **43,634** |  |  | **$** | **649** |  |  | **$** | **(1,173** | **)** |  | **$** | **47,800** |  |
| **Liabilities:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Other liabilities: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Derivative liabilities(2) |  | **$** | **18** |  |  | **$** | **1,171** |  |  | **$** | **76** |  |  | **$** | **(378** | **)** |  | **$** | **887** |  |
| **Total liabilities** |  | **$** | **18** |  |  | **$** | **1,171** |  |  | **$** | **76** |  |  | **$** | **(378** | **)** |  | **$** | **887** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | | | | | |
|  |  | **Fair Value Measurements Using** | | | | | | | | | | |  | **Netting Adjustments(1)** | | |  |  | | |
| *(Dollars in millions)* |  | **Level 1** | | |  | **Level 2** | | |  | **Level 3** | | |  |  | **Total** | | |
| **Assets:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Securities available for sale: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| U.S. Treasury securities |  | $ | 6,144 |  |  | $ | 0 |  |  | $ | 0 |  |  | — | |  |  | $ | 6,144 |  |
| RMBS |  | 0 | |  |  | 33,212 | |  |  | 433 | |  |  | — | |  |  | 33,645 | |  |
| CMBS |  | 0 | |  |  | 4,729 | |  |  | 10 | |  |  | — | |  |  | 4,739 | |  |
| Other securities |  | 219 | |  |  | 1,403 | |  |  | 0 | |  |  | — | |  |  | 1,622 | |  |
| Total securities available for sale |  | 6,363 | |  |  | 39,344 | |  |  | 443 | |  |  | — | |  |  | 46,150 | |  |
| Other assets: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Derivative assets(2) |  | 0 | |  |  | 1,501 | |  |  | 38 | |  |  | $ | (1,079 | ) |  | 460 | |  |
| Other(3) |  | 265 | |  |  | 0 | |  |  | 158 | |  |  | — | |  |  | 423 | |  |
| **Total assets** |  | $ | 6,628 |  |  | $ | 40,845 |  |  | $ | 639 |  |  | $ | (1,079 | ) |  | $ | 47,033 |  |
| **Liabilities:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Other liabilities: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Derivative liabilities(2) |  | $ | 0 |  |  | $ | 1,153 |  |  | $ | 48 |  |  | $ | (287 | ) |  | $ | 914 |  |
| **Total liabilities** |  | $ | 0 |  |  | $ | 1,153 |  |  | $ | 48 |  |  | $ | (287 | ) |  | $ | 914 |  |

**\_\_\_\_\_\_\_\_\_\_**

|  |  |
| --- | --- |
|  |  |
| (1) | Represents balance sheet netting of derivative assets and liabilities, and related payables and receivables for cash collateral held or placed with the same counterparty. See “Note 9—Derivative Instruments and Hedging Activities” for additional information. |

|  |  |
| --- | --- |
|  |  |
| (2) | Does not reflect $9 million and $2 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of September 30, 2019 and December 31, 2018, respectively. Non-performance risk is included in derivative assets and liabilities, which are part of other assets and liabilities on the consolidated balance sheets, and is offset through non-interest income in the consolidated statements of income. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 121 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |
| --- | --- |
|  |  |
| (3) | As of September 30, 2019 and December 31, 2018, other includes retained interests in securitizations of $107 million and $158 million, deferred compensation plan assets of $317 million and $264 million, and equity securities of $4 million and $1 million, respectively. |

**Level 3 Recurring Fair Value Rollforward**

The table below presents a reconciliation for all assets and liabilities measured and recognized at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2019 and 2018. Generally, transfers into Level 3 were primarily driven by the usage of unobservable assumptions in the pricing of these financial instruments as evidenced by wider pricing variations among pricing vendors and transfers out of Level 3 were primarily driven by the usage of assumptions corroborated by market observable information as evidenced by tighter pricing among multiple pricing sources.

**Table 12.2: Level 3 Recurring Fair Value Rollforward**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | |  | |  |  | |  |  | |  |  | | | |  |  |  | |  | | |  | |  |  |  | | | |  | |  |  |  | | |  |  | |  | |  | |  | |  | |  |  | | | |  |  | |  | |  | |  | |  |  | |  | | |  |  | |  | |  | | |  | |  |  | |  | | |  |
|  | |  | | **Fair Value Measurements Using Significant Unobservable Inputs (Level 3)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | |  | | **Three Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | |  | |  | | | |  | | **Total Gains (Losses) (Realized/Unrealized)** | | | | | | | | | | | | | |  |  | | | | | | |  |  | | | | |  | |  | | | | | |  | |  | | | | | |  | |  | | | | | |  |  | | | | | |  | |  | | | | | | |  | **Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2019(1)** | | | | | |
|  | |  | |  | | | |  | |  |  | | | | | | |  |  | | | | |  | |  | | | | | |  | |  | | | | | |  | |  | | | | | |  |  | | | | | |  | |  | | | | | | |  |
| *(Dollars in millions)* | |  | | **Balance, July 1,**  **2019** | | | |  | | **Included**  **in Net**  **Income(1)** | | | | | |  | **Included in OCI** | | | | | | |  | **Purchases** | | | | | | |  | **Sales** | | | | |  | | **Issuances** | | | | | |  | | **Settlements** | | | | | |  | | **Transfers**  **Into**  **Level 3** | | | | | |  | **Transfers**  **Out of**  **Level 3** | | | | | |  | | **Balance, September 30, 2019** | | | | | | |  |
| Securities available for sale:(2) | | | | | | | |  | |  | | | | | |  |  | | | | | | |  |  | | | | | | |  |  | | | | |  | |  | | | | | |  | |  | | | | | |  | |  | | | | | |  |  | | | | | |  | |  | | | | | | |  |  | | | | | |
| RMBS | |  | | $ | 515 | |  |  | | **$** | **10** | | | |  |  | **$** | | **0** | | |  | |  | **$** | **0** | | | |  | |  | **$** | **0** | | |  |  | | **$** | | **0** | |  | |  | | **$** | **(18** | | | | **)** |  | | **$** | | **59** | |  | |  | **$** | | **(114** | | | **)** |  | | **$** | | **452** | | |  | |  | **$** | | **9** | | |  |
| CMBS | |  | | 9 | | |  |  | | **0** | | | | |  |  | **0** | | | | |  | |  | **0** | | | | |  | |  | **0** | | | |  |  | | **0** | | | |  | |  | | **(1** | | | | | **)** |  | | **0** | | | |  | |  | **0** | | | | |  |  | | **8** | | | | |  | |  | **0** | | | | |  |
| Total securities available for sale | |  | | 524 | | |  |  | | **10** | | | | |  |  | **0** | | | | |  | |  | **0** | | | | |  | |  | **0** | | | |  |  | | **0** | | | |  | |  | | **(19** | | | | | **)** |  | | **59** | | | |  | |  | **(114** | | | | | **)** |  | | **460** | | | | |  | |  | **9** | | | | |  |
| Other assets: | |  | |  | | | |  | |  | | | | | |  |  | | | | | | |  |  | | | | | | |  |  | | | | |  | |  | | | | | |  | |  | | | | | |  | |  | | | | | |  |  | | | | | |  | |  | | | | | | |  |  | | | | | |
| Retained interest in securitizations | |  | | 177 | | |  |  | | **(1** | | | | | **)** |  | **0** | | | | |  | |  | **0** | | | | |  | |  | **0** | | | |  |  | | **0** | | | |  | |  | | **(69** | | | | | **)** |  | | **0** | | | |  | |  | **0** | | | | |  |  | | **107** | | | | |  | |  | **(1** | | | | | **)** |
| Net derivative assets (liabilities)(3) | |  | | 6 | | |  |  | | **(1** | | | | | **)** |  | **0** | | | | |  | |  | **0** | | | | |  | |  | **0** | | | |  |  | | **(8** | | | | **)** | |  | | **12** | | | | |  |  | | **0** | | | |  | |  | **(3** | | | | | **)** |  | | **6** | | | | |  | |  | **1** | | | | |  |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | |  | | |  | | |  | | |  |  |  | | | |  | |  |  | |  | | | |  |  |  | |  | | | |  |  | | |  | |  | |  | |  | |  | | |  |  |  | | |  | |  | |  | |  | | |  | |  |  | | |  | |  | |  |  | |  | | |  | |  |  | | |  |  |  |  |
|  |  | | **Fair Value Measurements Using Significant Unobservable Inputs (Level 3)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | | **Nine Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | |  | | | | | | | | |  | **Total Gains (Losses) (Realized/Unrealized)** | | | | | | | | | | | | | | |  |  | | | | | | |  | | |  | | | | | |  | |  | | | | |  | | |  | | | | | |  | | |  | | | | | |  | |  | | | | |  | | |  | | | | | |  | **Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2019(1)** | | |
|  |  | |  | | | | | | | | |  |  |  | | | | | | |  | | |  | | | | | |  | |  | | | | |  | | |  | | | | | |  | | |  | | | | | |  | |  | | | | |  | | |  | | | | | |  |
| *(Dollars in millions)* |  | | **Balance,**  **January 1,**  **2019** | | | | | | | | |  | **Included**  **in Net**  **Income(1)** | | | | | | |  | **Included in OCI** | | | | | | |  | **Purchases** | | | | | | |  | | | **Sales** | | | | | |  | | **Issuances** | | | | |  | | | **Settlements** | | | | | |  | | | **Transfers**  **Into**  **Level 3** | | | | | |  | | **Transfers**  **Out of**  **Level 3** | | | | |  | | | **Balance, September 30, 2019** | | | | | |  |
| Securities available for sale:(2) | | | | | | | | | | | |  |  | | | | | | |  |  | | | | | | |  |  | | | | | | |  | | |  | | | | | |  | |  | | | | |  | | |  | | | | | |  | | |  | | | | | |  | |  | | | | |  | | |  | | | | | |  |  | | |
| RMBS |  | | $ | | | 433 | | |  | | |  | **$** | **27** | | | |  | |  | **$** | | **13** | | | |  |  | **$** | | **0** | | | |  |  | | | **$** | | **0** | |  | |  | | **$** | | | **0** |  |  | | | **$** | | **(43** | | **)** | |  | | | **$** | | **173** |  | | |  | | **$** | | **(151** | **)** | |  | | | **$** | | **452** |  | | |  | **$** | **26** |  |
| CMBS |  | | 10 | | | | | |  | | |  | **0** | | | | |  | |  | **0** | | | | | |  |  | **0** | | | | | |  |  | | | **0** | | | |  | |  | | **0** | | | |  |  | | | **(2** | | | | **)** | |  | | | **0** | | |  | | |  | | **0** | | |  | |  | | | **8** | | |  | | |  | **0** | |  |
| Total securities available for sale |  | | 443 | | | | | |  | | |  | **27** | | | | |  | |  | **13** | | | | | |  |  | **0** | | | | | |  |  | | | **0** | | | |  | |  | | **0** | | | |  |  | | | **(45** | | | | **)** | |  | | | **173** | | |  | | |  | | **(151** | | | **)** | |  | | | **460** | | |  | | |  | **26** | |  |
| Other assets: |  | |  | | | | | | | | |  |  | | | | | | |  |  | | | | | | |  |  | | | | | | |  | | |  | | | | | |  | |  | | | | |  | | |  | | | | | |  | | |  | | | | | |  | |  | | | | |  | | |  | | | | | |  |  | | |
| Retained interest in securitizations |  | | 158 | | | | | |  | | |  | **18** | | | | |  | |  | **0** | | | | | |  |  | **0** | | | | | |  |  | | | **0** | | | |  | |  | | **0** | | | |  |  | | | **(69** | | | | **)** | |  | | | **0** | | |  | | |  | | **0** | | |  | |  | | | **107** | | |  | | |  | **8** | |  |
| Net derivative assets (liabilities)(3) |  | | (10 | | | | | | ) | | |  | **4** | | | | |  | |  | **0** | | | | | |  |  | **0** | | | | | |  |  | | | **0** | | | |  | |  | | **(21** | | | | **)** |  | | | **39** | | | |  | |  | | | **0** | | |  | | |  | | **(6** | | | **)** | |  | | | **6** | | |  | | |  | **6** | |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 122 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Fair Value Measurements Using Significant Unobservable Inputs (Level 3)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Three Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  | | |  | **Total Gains (Losses) (Realized/Unrealized)** | | | | | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  | **Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2018(1)** | | |
|  |  |  | | |  |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |
| *(Dollars in millions)* |  | **Balance, July 1,**  **2018** | | |  | **Included**  **in Net**  **Income(1)** | | |  | **Included in OCI** | | |  | **Purchases** | | |  | **Sales** | | |  | **Issuances** | | |  | **Settlements** | | |  | **Transfers**  **Into**  **Level 3** | | |  | **Transfers**  **Out of**  **Level 3** | | |  | **Balance, September 30, 2018** | | |  |
| Securities available for sale: | | | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| RMBS |  | $ | 442 |  |  | $ | 7 |  |  | $ | 2 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | (16 | ) |  | $ | 130 |  |  | $ | (46 | ) |  | $ | 519 |  |  | $ | 8 |  |
| CMBS |  | 11 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 11 | |  |  | 0 | |  |
| Other securities |  | 5 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | (5 | | ) |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |
| Total securities available for sale |  | 458 | |  |  | 7 | |  |  | 2 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | (21 | | ) |  | 130 | |  |  | (46 | | ) |  | 530 | |  |  | 8 | |  |
| Other assets: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Retained interests in securitizations |  | 164 | |  |  | (2 | | ) |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 162 | |  |  | (2 | | ) |
| Net derivative assets (liabilities)(3) |  | (5 | | ) |  | (2 | | ) |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 18 | |  |  | 2 | |  |  | 0 | |  |  | 0 | |  |  | 13 | |  |  | (2 | | ) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Fair Value Measurements Using Significant Unobservable Inputs (Level 3)** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  | **Nine Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  |  |  | | |  | **Total Gains (Losses) (Realized/Unrealized)** | | | | | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  | **Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2018(1)** | | |
|  |  |  | | |  |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |
| *(Dollars in millions)* |  | **Balance,**  **January 1,**  **2018** | | |  | **Included**  **in Net**  **Income(1)** | | |  | **Included in OCI** | | |  | **Purchases** | | |  | **Sales** | | |  | **Issuances** | | |  | **Settlements** | | |  | **Transfers**  **Into**  **Level 3** | | |  | **Transfers**  **Out of**  **Level 3** | | |  | **Balance, September 30, 2018** | | |  |
| Securities available for sale: | | | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| RMBS |  | $ | 614 |  |  | $ | 25 |  |  | $ | 9 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | 0 |  |  | $ | (58 | ) |  | $ | 195 |  |  | $ | (266 | ) |  | $ | 519 |  |  | $ | 25 |  |
| CMBS |  | 14 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | (3 | | ) |  | 0 | |  |  | 0 | |  |  | 11 | |  |  | 0 | |  |
| Other securities |  | 5 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | (5 | | ) |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |
| Total securities available for sale |  | 633 | |  |  | 25 | |  |  | 9 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | (66 | | ) |  | 195 | |  |  | (266 | | ) |  | 530 | |  |  | 25 | |  |
| Other assets: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Consumer MSRs |  | 92 | |  |  | 3 | |  |  | 0 | |  |  | 0 | |  |  | (97 | | ) |  | 2 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |
| Retained interests in securitizations |  | 172 | |  |  | (10 | | ) |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 162 | |  |  | (10 | | ) |
| Net derivative assets (liabilities)(3) |  | 13 | |  |  | (26 | | ) |  | 0 | |  |  | 0 | |  |  | 0 | |  |  | 25 | |  |  | 0 | |  |  | 0 | |  |  | 1 | |  |  | 13 | |  |  | (26 | | ) |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Realized gains (losses) on securities available for sale are included in net securities gains (losses), and retained interests in securitizations are reported as a component of non-interest income in our consolidated statements of income. Gains (losses) on derivatives are included as a component of net interest income or non-interest income in our consolidated statements of income. |

|  |  |
| --- | --- |
|  |  |
| (2) | For the three and nine months ended September 30, 2019, net unrealized gains included in other comprehensive income related to Level 3 securities available for sale still held as of September 30, 2019 were $1 million and $11 million, respectively. |

|  |  |
| --- | --- |
|  |  |
| (3) | Includes derivative assets and liabilities of $82 million and $76 million, respectively, as of September 30, 2019, and $54 million and $41 million, respectively, as of September 30, 2018. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 123 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Significant Level 3 Fair Value Asset and Liability Inputs**

Generally, uncertainties in fair value measurements of financial instruments, such as changes in unobservable inputs, may have a significant impact on fair value. Certain of these unobservable inputs will, in isolation, have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. In general, an increase in the discount rate, default rates, loss severity and credit spreads, in isolation, would result in a decrease in the fair value measurement. In addition, an increase in default rates would generally be accompanied by a decrease in recovery rates, slower prepayment rates and an increase in liquidity spreads.

**Techniques and Inputs for Level 3 Fair Value Measurements**

The following table presents the significant unobservable inputs used to determine the fair values of our Level 3 financial instruments on a recurring basis. We utilize multiple vendor pricing services to obtain fair value for our securities. Several of our vendor pricing services are only able to provide unobservable input information for a limited number of securities due to software licensing restrictions. Other vendor pricing services are able to provide unobservable input information for all securities for which they provide a valuation. As a result, the unobservable input information for the securities available for sale presented below represents a composite summary of all information we are able to obtain. The unobservable input information for all other Level 3 financial instruments is based on the assumptions used in our internal valuation models.

**Table 12.3: Quantitative Information about Level 3 Fair Value Measurements**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Quantitative Information about Level 3 Fair Value Measurements** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Fair Value at September 30,  2019** | | |  | **Significant**  **Valuation**  **Techniques** |  | **Significant**  **Unobservable**  **Inputs** |  | **Range** |  | **Weighted**  **Average(1)** |
| Securities available for sale: |  |  | | |  |  |  |  |  |  |  |  |
| RMBS |  | **$** | **452** |  |  | Discounted cash flows (vendor pricing) |  | Yield Voluntary prepayment rate Default rate Loss severity |  | **1-15% 0-23% 0-7% 0-85%** |  | **4% 6% 3% 68%** |
| CMBS |  | **8** | |  |  | Discounted cash flows (vendor pricing) |  | Yield |  | **2%** |  | **2%** |
| Other assets: |  |  | | |  |  |  |  |  |  |  |  |
| Retained interests in securitization(2) |  | **107** | |  |  | Discounted cash flows |  | Life of receivables (months) Voluntary prepayment rate Discount rate Default rate Loss severity |  | **2-62 5-14% 3-12% 3-4% 63-95%** |  | **N/A** |
| Net derivative assets (liabilities) |  | **6** | |  |  | Discounted cash flows |  | Swap rates |  | **1-2%** |  | **2%** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Quantitative Information about Level 3 Fair Value Measurements** | | | | | | | | | | |
| *(Dollars in millions)* |  | **Fair Value at**  **December 31,**  **2018** | | |  | **Significant**  **Valuation**  **Techniques** |  | **Significant**  **Unobservable**  **Inputs** |  | **Range** |  | **Weighted**  **Average(1)** |
| Securities available for sale: |  |  | | |  |  |  |  |  |  |  |  |
| RMBS |  | $ | 433 |  |  | Discounted cash flows (vendor pricing) |  | Yield Voluntary prepayment rate Default rate Loss severity |  | 3-11% 0-17% 0-7% 0-75% |  | 5% 5% 3% 65% |
| CMBS |  | 10 | |  |  | Discounted cash flows (vendor pricing) |  | Yield |  | 3% |  | 3% |
| Other assets: |  |  | | |  |  |  |  |  |  |  |  |
| Retained interests in securitization(2) |  | 158 | |  |  | Discounted cash flows |  | Life of receivables (months) Voluntary prepayment rate Discount rate Default rate Loss severity |  | 3-56 3-14% 4-6% 2-4% 50-104% |  | N/A |
| Net derivative assets (liabilities) |  | (10 | | ) |  | Discounted cash flows |  | Swap rates |  | 3% |  | 3% |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Weighted averages are calculated by using the product of the input multiplied by the relative fair value of the instruments. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 124 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |
| --- | --- |
|  |  |
| (2) | Due to the nature of the various mortgage securitization structures in which we have retained interests, it is not meaningful to present a consolidated weighted average for the significant unobservable inputs. |

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

We are required to measure and recognize certain assets at fair value on a nonrecurring basis on the consolidated balance sheets. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, from the application of lower of cost or fair value accounting or when we evaluate for impairment).

The following table presents the carrying value of the assets measured at fair value on a nonrecurring basis and still held as of September 30, 2019 and December 31, 2018, and for which a nonrecurring fair value measurement was recorded during the nine and twelve months then ended.

**Table 12.4: Nonrecurring Fair Value Measurements**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | |
|  |  | **Estimated Fair Value Hierarchy** | | | | | | |  | **Total** | | |
| *(Dollars in millions)* |  | **Level 2** | | |  | **Level 3** | | |  |
| Loans held for investment |  | **$** | **0** |  |  | **$** | **317** |  |  | **$** | **317** |  |
| Loans held for sale |  | **2** | |  |  | **0** | |  |  | **2** | |  |
| Other assets(1) |  | **0** | |  |  | **78** | |  |  | **78** | |  |
| **Total** |  | **$** | **2** |  |  | **$** | **395** |  |  | **$** | **397** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | |
|  |  | **Estimated Fair Value Hierarchy** | | | | | | |  | **Total** | | |
| *(Dollars in millions)* |  | **Level 2** | | |  | **Level 3** | | |  |
| Loans held for investment |  | $ | 0 |  |  | $ | 129 |  |  | $ | 129 |  |
| Loans held for sale |  | 38 | |  |  | 0 | |  |  | 38 | |  |
| Other assets(1) |  | 0 | |  |  | 100 | |  |  | 100 | |  |
| **Total** |  | $ | 38 |  |  | $ | 229 |  |  | $ | 267 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | As of September 30, 2019, other assets included equity investments accounted for under the measurement alternative of $3 million, repossessed assets of $58 million and long-lived assets held for sale of $17 million. As of December 31, 2018, other assets included equity investments accounted for under the measurement alternative of $24 million, foreclosed property and repossessed assets of $57 million and long-lived assets held for sale of $19 million. |

In the above table, loans held for investment are generally valued based in part on the estimated fair value of the underlying collateral and the non-recoverable rate, which is considered to be a significant unobservable input. The non-recoverable rate ranged from 0% to 50%, with a weighted average of 7%, and from 0% to 84%, with a weighted average of 33%, as of September 30, 2019 and December 31, 2018, respectively. The weighted average non-recoverable rate is calculated based on the estimated market value of the underlying collateral. The significant unobservable inputs and related quantitative information related to fair value of the other assets are not meaningful to disclose as they vary significantly across properties and collateral.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 125 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents total nonrecurring fair value measurements for the period, included in earnings, attributable to the change in fair value relating to assets that are still held at September 30, 2019 and 2018.

**Table 12.5: Nonrecurring Fair Value Measurements Included in Earnings**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  |  |  |  |  |  |  |  |  |
|  |  | **Total Gains (Losses)** | | | | | | |
|  |  | **Nine Months Ended September 30,** | | | | | | |
| *(Dollars in millions)* |  | **2019** | | |  | **2018** | | |
| Loans held for investment |  | **$** | **(189** | **)** |  | $ | (99 | ) |
| Loans held for sale |  | **(1** | | **)** |  | (5 | | ) |
| Other assets(1) |  | **(60** | | **)** |  | (57 | | ) |
| **Total** |  | **$** | **(250** | **)** |  | $ | (161 | ) |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Other assets include fair value adjustments related to repossessed assets, long-lived assets held for sale and equity investments accounted for under the measurement alternative. For the nine months ended September 30, 2018, other assets also included foreclosed property. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 126 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Fair Value of Financial Instruments**

The following table presents the carrying value and estimated fair value, including the level within the fair value hierarchy, of our financial instruments that are not measured at fair value on a recurring basis on our consolidated balance sheets as of September 30, 2019 and December 31, 2018.

**Table 12.6: Fair Value of Financial Instruments**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **September 30, 2019** | | | | | | | | | | | | | | | | | | |
|  |  | **Carrying**  **Value** | | |  | **Estimated**  **Fair Value** | | |  | **Estimated Fair Value Hierarchy** | | | | | | | | | | |
| *(Dollars in millions)* |  |  |  | **Level 1** | | |  | **Level 2** | | |  | **Level 3** | | |
| **Financial assets:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Cash and cash equivalents |  | **$** | **17,120** |  |  | **$** | **17,120** |  |  | **$** | **4,452** |  |  | **$** | **12,668** |  |  | **$** | **0** |  |
| Restricted cash for securitization investors |  | **417** | |  |  | **417** | |  |  | **417** | |  |  | **0** | |  |  | **0** | |  |
| Securities held to maturity |  | **33,894** | |  |  | **35,264** | |  |  | **0** | |  |  | **35,258** | |  |  | **6** | |  |
| Net loans held for investment |  | **242,318** | |  |  | **243,125** | |  |  | **0** | |  |  | **0** | |  |  | **243,125** | |  |
| Loans held for sale |  | **1,245** | |  |  | **1,261** | |  |  | **0** | |  |  | **1,261** | |  |  | **0** | |  |
| Interest receivable |  | **1,627** | |  |  | **1,627** | |  |  | **0** | |  |  | **1,627** | |  |  | **0** | |  |
| Other investments(1) |  | **1,341** | |  |  | **1,341** | |  |  | **0** | |  |  | **1,341** | |  |  | **0** | |  |
| **Financial liabilities:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Deposits with defined maturities |  | **45,241** | |  |  | **45,490** | |  |  | **0** | |  |  | **45,490** | |  |  | **0** | |  |
| Securitized debt obligations |  | **18,910** | |  |  | **19,043** | |  |  | **0** | |  |  | **19,043** | |  |  | **0** | |  |
| Senior and subordinated notes |  | **30,682** | |  |  | **31,078** | |  |  | **0** | |  |  | **31,078** | |  |  | **0** | |  |
| Federal funds purchased and securities loaned or sold under agreements to repurchase |  | **464** | |  |  | **464** | |  |  | **0** | |  |  | **464** | |  |  | **0** | |  |
| Interest payable |  | **370** | |  |  | **370** | |  |  | **0** | |  |  | **370** | |  |  | **0** | |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **December 31, 2018** | | | | | | | | | | | | | | | | | | |
|  |  | **Carrying**  **Value** | | |  | **Estimated**  **Fair Value** | | |  | **Estimated Fair Value Hierarchy** | | | | | | | | | | |
| *(Dollars in millions)* |  |  |  | **Level 1** | | |  | **Level 2** | | |  | **Level 3** | | |
| **Financial assets:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Cash and cash equivalents |  | $ | 13,186 |  |  | $ | 13,186 |  |  | $ | 4,768 |  |  | $ | 8,418 |  |  | $ | 0 |  |
| Restricted cash for securitization investors |  | 303 | |  |  | 303 | |  |  | 303 | |  |  | 0 | |  |  | 0 | |  |
| Securities held to maturity |  | 36,771 | |  |  | 36,619 | |  |  | 0 | |  |  | 36,513 | |  |  | 106 | |  |
| Net loans held for investment |  | 238,679 | |  |  | 241,556 | |  |  | 0 | |  |  | 0 | |  |  | 241,556 | |  |
| Loans held for sale |  | 1,192 | |  |  | 1,218 | |  |  | 0 | |  |  | 1,218 | |  |  | 0 | |  |
| Interest receivable |  | 1,614 | |  |  | 1,614 | |  |  | 0 | |  |  | 1,614 | |  |  | 0 | |  |
| Other investments(1) |  | 1,725 | |  |  | 1,725 | |  |  | 0 | |  |  | 1,725 | |  |  | 0 | |  |
| **Financial liabilities:** |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Deposits with defined maturities |  | 38,471 | |  |  | 38,279 | |  |  | 0 | |  |  | 38,279 | |  |  | 0 | |  |
| Securitized debt obligations |  | 18,307 | |  |  | 18,359 | |  |  | 0 | |  |  | 18,359 | |  |  | 0 | |  |
| Senior and subordinated notes |  | 30,826 | |  |  | 30,635 | |  |  | 0 | |  |  | 30,635 | |  |  | 0 | |  |
| Federal funds purchased and securities loaned or sold under agreements to repurchase |  | 352 | |  |  | 352 | |  |  | 0 | |  |  | 352 | |  |  | 0 | |  |
| Other borrowings(2) |  | 9,354 | |  |  | 9,354 | |  |  | 0 | |  |  | 9,354 | |  |  | 0 | |  |
| Interest payable |  | 458 | |  |  | 458 | |  |  | 0 | |  |  | 458 | |  |  | 0 | |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Other investments include FHLB and Federal Reserve stock. These investments are included in other assets on our consolidated balance sheets. |

|  |  |
| --- | --- |
|  |  |
| (2) | Other borrowings excludes finance lease liabilities. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 127 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 13—BUSINESS SEGMENTS AND REVENUE FROM CONTRACTS WITH CUSTOMERS** |

Our principal operations are organized into three major business segments, which are defined primarily based on the products and services provided or the types 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 and residual tax expense or benefit to arrive at the consolidated effective tax rate that is not assessed to our primary business segments, are included in the Other category.

**Basis of Presentation**

We report the results of each of our business segments on a continuing operations basis. The results of our individual businesses reflect the manner in which management evaluates performance and makes decisions about funding our operations and allocating resources.

**Business Segment Reporting Methodology**

The results of our business segments are intended to present each segment as if it were a stand-alone business. Our internal management and reporting process used to derive our segment results employs various allocation methodologies, including funds transfer pricing, to assign certain balance sheet assets, deposits and other liabilities and their related revenue and expenses directly or indirectly attributable to each business segment. Our funds transfer pricing process provides a funds credit for sources of funds, such as deposits generated by our Consumer Banking and Commercial Banking businesses, and a funds charge for the use of funds by each segment. Due to the integrated nature of our business segments, estimates and judgments have been made in allocating certain revenue and expense items. Transactions between segments are based on specific criteria or approximate third-party rates. We regularly assess the assumptions, methodologies and reporting classifications used for segment reporting, which may result in the implementation of refinements or changes in future periods. We provide additional information on the allocation methodologies used to derive our business segment results in “Note 18—Business Segments and Revenue from Contracts with Customers” in our 2018 Form 10-K.

**Segment Results and Reconciliation**

We may periodically change our business segments or reclassify business segment results based on modifications to our management reporting methodologies or changes in organizational alignment. In the first quarter of 2019, we made a change in how revenue is measured in our Commercial Banking business by revising the allocation of tax benefits on certain tax-advantaged investments. As such, prior period results have been recast to conform with the current period presentation. The result of this measurement change reduced the previously reported total net revenue in our Commercial Banking business by $26 million and $88 million for the three and nine months ended September 30, 2018, with an offsetting increase in the Other category. This change in measurement of our Commercial Banking revenue did not have any impact to the consolidated financial statements.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 128 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table presents our business segment results for the three and nine months ended September 30, 2019 and 2018, selected balance sheet data as of September 30, 2019 and 2018, and a reconciliation of our total business segment results to our reported consolidated income from continuing operations, loans held for investment and deposits.

**Table 13.1: Segment Results and Reconciliation**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking(1)(2)** | | |  | **Other(1)(2)** | | |  | **Consolidated Total** | | |
| Net interest income |  | **$** | **3,546** |  |  | **$** | **1,682** |  |  | **$** | **486** |  |  | **$** | **23** |  |  | **$** | **5,737** |  |
| Non-interest income (loss) |  | **870** | |  |  | **165** | |  |  | **221** | |  |  | **(34** | | **)** |  | **1,222** | |  |
| Total net revenue (loss) |  | **4,416** | |  |  | **1,847** | |  |  | **707** | |  |  | **(11** | | **)** |  | **6,959** | |  |
| Provision for credit losses |  | **1,087** | |  |  | **203** | |  |  | **93** | |  |  | **0** | |  |  | **1,383** | |  |
| Non-interest expense |  | **2,360** | |  |  | **985** | |  |  | **414** | |  |  | **113** | |  |  | **3,872** | |  |
| Income (loss) from continuing operations before income taxes |  | **969** | |  |  | **659** | |  |  | **200** | |  |  | **(124** | | **)** |  | **1,704** | |  |
| Income tax provision (benefit) |  | **235** | |  |  | **154** | |  |  | **46** | |  |  | **(60** | | **)** |  | **375** | |  |
| Income (loss) from continuing operations, net of tax |  | **$** | **734** |  |  | **$** | **505** |  |  | **$** | **154** |  |  | **$** | **(64** | **)** |  | **$** | **1,329** |  |
| Loans held for investment |  | **$** | **113,681** |  |  | **$** | **62,015** |  |  | **$** | **73,659** |  |  | **$** | **0** |  |  | **$** | **249,355** |  |
| Deposits |  | **0** | |  |  | **206,423** | |  |  | **30,923** | |  |  | **19,802** | |  |  | **257,148** | |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking(1)(2)** | | |  | **Other(1)(2)** | | |  | **Consolidated Total** | | |
| Net interest income |  | **$** | **10,667** |  |  | **$** | **5,070** |  |  | **$** | **1,489** |  |  | **$** | **48** |  |  | **$** | **17,274** |  |
| Non-interest income (loss) |  | **2,858** | |  |  | **491** | |  |  | **608** | |  |  | **(65** | | **)** |  | **3,892** | |  |
| Total net revenue (loss) |  | **13,525** | |  |  | **5,561** | |  |  | **2,097** | |  |  | **(17** | | **)** |  | **21,166** | |  |
| Provision for credit losses |  | **3,571** | |  |  | **603** | |  |  | **244** | |  |  | **0** | |  |  | **4,418** | |  |
| Non-interest expense |  | **6,784** | |  |  | **2,981** | |  |  | **1,258** | |  |  | **299** | |  |  | **11,322** | |  |
| Income (loss) from continuing operations before income taxes |  | **3,170** | |  |  | **1,977** | |  |  | **595** | |  |  | **(316** | | **)** |  | **5,426** | |  |
| Income tax provision (benefit) |  | **747** | |  |  | **461** | |  |  | **138** | |  |  | **(275** | | **)** |  | **1,071** | |  |
| Income (loss) from continuing operations, net of tax |  | **$** | **2,423** |  |  | **$** | **1,516** |  |  | **$** | **457** |  |  | **$** | **(41** | **)** |  | **$** | **4,355** |  |
| Loans held for investment |  | **$** | **113,681** |  |  | **$** | **62,015** |  |  | **$** | **73,659** |  |  | **$** | **0** |  |  | **$** | **249,355** |  |
| Deposits |  | **0** | |  |  | **206,423** | |  |  | **30,923** | |  |  | **19,802** | |  |  | **257,148** | |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking(1)(2)** | | |  | **Other(1)(2)** | | |  | **Consolidated Total** | | |
| Net interest income |  | $ | 3,596 |  |  | $ | 1,636 |  |  | $ | 513 |  |  | $ | 41 |  |  | $ | 5,786 |  |
| Non-interest income (loss) |  | 893 | |  |  | 155 | |  |  | 189 | |  |  | (61 | | ) |  | 1,176 | |  |
| Total net revenue (loss) |  | 4,489 | |  |  | 1,791 | |  |  | 702 | |  |  | (20 | | ) |  | 6,962 | |  |
| Provision (benefit) for credit losses |  | 1,031 | |  |  | 184 | |  |  | 54 | |  |  | (1 | | ) |  | 1,268 | |  |
| Non-interest expense |  | 2,103 | |  |  | 979 | |  |  | 408 | |  |  | 283 | |  |  | 3,773 | |  |
| Income (loss) from continuing operations before income taxes |  | 1,355 | |  |  | 628 | |  |  | 240 | |  |  | (302 | | ) |  | 1,921 | |  |
| Income tax provision (benefit) |  | 315 | |  |  | 146 | |  |  | 56 | |  |  | (97 | | ) |  | 420 | |  |
| Income (loss) from continuing operations, net of tax |  | $ | 1,040 |  |  | $ | 482 |  |  | $ | 184 |  |  | $ | (205 | ) |  | $ | 1,501 |  |
| Loans held for investment |  | $ | 110,685 |  |  | $ | 59,329 |  |  | $ | 68,747 |  |  | $ | 0 |  |  | $ | 238,761 |  |
| Deposits |  | 0 | |  |  | 196,635 | |  |  | 30,474 | |  |  | 20,086 | |  |  | 247,195 | |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 129 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking(1)(2)** | | |  | **Other(1)(2)** | | |  | **Consolidated Total** | | |
| Net interest income |  | $ | 10,550 |  |  | $ | 4,860 |  |  | $ | 1,536 |  |  | $ | 109 |  |  | $ | 17,055 |  |
| Non-interest income |  | 2,634 | |  |  | 504 | |  |  | 585 | |  |  | 285 | |  |  | 4,008 | |  |
| Total net revenue |  | 13,184 | |  |  | 5,364 | |  |  | 2,121 | |  |  | 394 | |  |  | 21,063 | |  |
| Provision (benefit) for credit losses |  | 3,658 | |  |  | 535 | |  |  | 74 | |  |  | (49 | | ) |  | 4,218 | |  |
| Non-interest expense |  | 6,046 | |  |  | 2,942 | |  |  | 1,220 | |  |  | 562 | |  |  | 10,770 | |  |
| Income (loss) from continuing operations before income taxes |  | 3,480 | |  |  | 1,887 | |  |  | 827 | |  |  | (119 | | ) |  | 6,075 | |  |
| Income tax provision (benefit) |  | 810 | |  |  | 440 | |  |  | 193 | |  |  | (129 | | ) |  | 1,314 | |  |
| Income from continuing operations, net of tax |  | $ | 2,670 |  |  | $ | 1,447 |  |  | $ | 634 |  |  | $ | 10 |  |  | $ | 4,761 |  |
| Loans held for investment |  | $ | 110,685 |  |  | $ | 59,329 |  |  | $ | 68,747 |  |  | $ | 0 |  |  | $ | 238,761 |  |
| Deposits |  | 0 | |  |  | 196,635 | |  |  | 30,474 | |  |  | 20,086 | |  |  | 247,195 | |  |

**\_\_\_\_\_\_\_\_\_\_**

|  |  |
| --- | --- |
|  |  |
| (1) | Some of our commercial investments generate tax-exempt income, tax credits or other tax benefits. Accordingly, we present our Commercial Banking revenue and yields on a taxable-equivalent basis, calculated using the federal statutory tax rate of 21% and state taxes where applicable, with offsetting reductions to the Other category. |

|  |  |
| --- | --- |
|  |  |
| (2) | In the first quarter of 2019, we made a change in how revenue is measured in our Commercial Banking business by revising the allocation of tax benefits on certain tax-advantaged investments. As such, prior period results have been recast to conform with the current period presentation. The result of this measurement change reduced the previously reported total net revenue in our Commercial Banking business by $26 million and $88 million for the three and nine months ended September 30, 2018, with an offsetting increase in the Other category. |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**Revenue from Contracts with Customers**

The majority of our revenue from contracts with customers consists of interchange fees in our Credit Card business, service charges and other customer-related fees, and other contract revenue in our Consumer Banking and Commercial Banking businesses. Interchange fees are primarily from our Credit Card business and are recognized upon settlement with the interchange networks, net of rewards earned by customers. Service charges and other customer-related fees within our Consumer Banking business are primarily related to fees earned on consumer deposit accounts for account maintenance and various transaction-based services such as overdrafts and ATM usage. Service charges and other customer-related fees within our Commercial Banking business are mostly related to fees earned on treasury management and capital markets services. Other contract revenue consists primarily of revenue earned on certain marketing and promotional events from our auto dealers within our Consumer Banking business. Revenue from contracts with customers is included in non-interest income in our consolidated statements of income.

The following table presents revenue from contracts with customers and a reconciliation to non-interest income by business segment for the three and nine months ended September 30, 2019 and 2018.

**Table 13.2: Revenue from Contracts with Customers and Reconciliation to Segments Result**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking(1)** | | |  | **Other(1)** | | |  | **Consolidated Total** | | |
| Contract revenue: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interchange fees, net(2) |  | **$** | **722** |  |  | **$** | **54** |  |  | **$** | **15** |  |  | **$** | **(1** | **)** |  | **$** | **790** |  |
| Service charges and other customer-related fees |  | **0** | |  |  | **76** | |  |  | **35** | |  |  | **(1** | | **)** |  | **110** | |  |
| Other |  | **15** | |  |  | **26** | |  |  | **1** | |  |  | **0** | |  |  | **42** | |  |
| Total contract revenue |  | **737** | |  |  | **156** | |  |  | **51** | |  |  | **(2** | | **)** |  | **942** | |  |
| Revenue from other sources |  | **133** | |  |  | **9** | |  |  | **170** | |  |  | **(32** | | **)** |  | **280** | |  |
| Total non-interest income |  | **$** | **870** |  |  | **$** | **165** |  |  | **$** | **221** |  |  | **$** | **(34** | **)** |  | **$** | **1,222** |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 130 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2019** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking(1)** | | |  | **Other(1)** | | |  | **Consolidated Total** | | |
| Contract revenue: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interchange fees, net(2) |  | **$** | **2,181** |  |  | **$** | **152** |  |  | **$** | **39** |  |  | **$** | **(4** | **)** |  | **$** | **2,368** |  |
| Service charges and other customer-related fees |  | **0** | |  |  | **225** | |  |  | **88** | |  |  | **(1** | | **)** |  | **312** | |  |
| Other |  | **47** | |  |  | **76** | |  |  | **2** | |  |  | **0** | |  |  | **125** | |  |
| Total contract revenue |  | **2,228** | |  |  | **453** | |  |  | **129** | |  |  | **(5** | | **)** |  | **2,805** | |  |
| Revenue from other sources |  | **630** | |  |  | **38** | |  |  | **479** | |  |  | **(60** | | **)** |  | **1,087** | |  |
| Total non-interest income |  | **$** | **2,858** |  |  | **$** | **491** |  |  | **$** | **608** |  |  | **$** | **(65** | **)** |  | **$** | **3,892** |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking(1)** | | |  | **Other(1)** | | |  | **Consolidated Total** | | |
| Contract revenue: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interchange fees, net(2) |  | $ | 661 |  |  | $ | 46 |  |  | $ | 8 |  |  | $ | (1 | ) |  | $ | 714 |  |
| Service charges and other customer-related fees |  | 0 | |  |  | 90 | |  |  | 33 | |  |  | 0 | |  |  | 123 | |  |
| Other |  | (6 | | ) |  | 27 | |  |  | 0 | |  |  | 0 | |  |  | 21 | |  |
| Total contract revenue |  | 655 | |  |  | 163 | |  |  | 41 | |  |  | (1 | | ) |  | 858 | |  |
| Revenue from other sources |  | 238 | |  |  | (8 | | ) |  | 148 | |  |  | (60 | | ) |  | 318 | |  |
| Total non-interest income |  | $ | 893 |  |  | $ | 155 |  |  | $ | 189 |  |  | $ | (61 | ) |  | $ | 1,176 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Nine Months Ended September 30, 2018** | | | | | | | | | | | | | | | | | | |
| *(Dollars in millions)* |  | **Credit Card** | | |  | **Consumer Banking** | | |  | **Commercial Banking(1)** | | |  | **Other(1)** | | |  | **Consolidated Total** | | |
| Contract revenue: |  |  | | |  |  | | |  |  | | |  |  | | |  |  | | |
| Interchange fees, net(2) |  | $ | 1,924 |  |  | $ | 135 |  |  | $ | 23 |  |  | $ | (2 | ) |  | $ | 2,080 |  |
| Service charges and other customer-related fees |  | 0 | |  |  | 283 | |  |  | 99 | |  |  | (1 | | ) |  | 381 | |  |
| Other |  | (2 | | ) |  | 84 | |  |  | 1 | |  |  | 0 | |  |  | 83 | |  |
| Total contract revenue |  | 1,922 | |  |  | 502 | |  |  | 123 | |  |  | (3 | | ) |  | 2,544 | |  |
| Revenue from other sources |  | 712 | |  |  | 2 | |  |  | 462 | |  |  | 288 | |  |  | 1,464 | |  |
| Total non-interest income |  | $ | 2,634 |  |  | $ | 504 |  |  | $ | 585 |  |  | $ | 285 |  |  | $ | 4,008 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Some of our commercial investments generate tax-exempt income, tax credits or other tax benefits. Accordingly, we present our Commercial Banking revenue and yields on a taxable-equivalent basis, calculated using the federal statutory tax rate of 21% and state taxes where applicable, with offsetting reclassifications to the Other category. |

|  |  |
| --- | --- |
|  |  |
| (2) | Interchange fees are presented net of customer rewards expenses. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 131 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |
| --- |
|  |
|  |
| **NOTE 14—COMMITMENTS, CONTINGENCIES, GUARANTEES AND OTHERS** |

**Commitments to Lend**

Our unfunded lending commitments primarily consist of credit card lines, loan commitments to customers of both our Commercial Banking and Consumer Banking businesses, as well as standby and commercial letters of credit. These commitments, other than credit card lines, are legally binding conditional agreements that have fixed expirations or termination dates and specified interest rates and purposes. The contractual amount of these commitments represents the maximum possible credit risk to us should the counterparty draw upon the commitment. We generally manage the potential risk of unfunded lending commitments by limiting the total amount of arrangements, monitoring the size and maturity structure of these portfolios, and applying the same credit standards for all of our credit activities.

For unused credit card lines, we have not experienced and do not anticipate that all of our customers will access their entire available line at any given point in time. Commitments to extend credit other than credit card lines generally require customers to maintain certain credit standards. Collateral requirements and loan-to-value (“LTV”) ratios are the same as those for funded transactions and are established based on management’s credit assessment of the customer. These commitments may expire without being drawn upon; therefore, the total commitment amount does not necessarily represent future funding requirements.

We also issue letters of credit, such as financial standby, performance standby and commercial letters of credit, to meet the financing needs of our customers. Standby letters of credit are conditional commitments issued by us to guarantee the performance of a customer to a third party in a borrowing arrangement. Commercial letters of credit are short-term commitments issued primarily to facilitate trade finance activities for customers and are generally collateralized by the goods being shipped to the client. These collateral requirements are similar to those for funded transactions and are established based on management’s credit assessment of the customer. Management conducts regular reviews of all outstanding letters of credit and the results of these reviews are considered in assessing the adequacy of reserves for unfunded lending commitments.

The following table presents the contractual amount and carrying value of our unfunded lending commitments as of September 30, 2019 and December 31, 2018. The carrying value represents our reserve and deferred revenue on legally binding commitments.

**Table 14.1: Unfunded Lending Commitments: Contractual Amount and Carrying Value**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Contractual Amount** | | | | | | |  | **Carrying Value** | | | | | | |
| *(Dollars in millions)* |  | **September 30,  2019** | | |  | **December 31,  2018** | | |  | **September 30,  2019** | | |  | **December 31,  2018** | | |
| Credit card lines |  | **$** | **349,896** |  |  | $ | 346,186 |  |  | **N/A** | |  |  | N/A | |  |
| Other loan commitments(1) |  | **35,351** | |  |  | 34,449 | |  |  | **$** | **122** |  |  | $ | 95 |  |
| Standby letters of credit and commercial letters of credit(2) |  | **1,658** | |  |  | 1,792 | |  |  | **33** | |  |  | 29 | |  |
| Total unfunded lending commitments |  | **$** | **386,905** |  |  | $ | 382,427 |  |  | **$** | **155** |  |  | $ | 124 |  |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Includes $1.7 billion and $1.3 billion of advised lines of credit as of September 30, 2019 and December 31, 2018, respectively. |

|  |  |
| --- | --- |
|  |  |
| (2) | These financial guarantees have expiration dates ranging from 2020 to 2025 as of September 30, 2019. |

**Loss Sharing Agreements**

Within our Commercial Banking business, we originate multifamily commercial real estate loans with the intent to sell them to the GSEs. We enter into loss sharing agreements with the GSEs upon the sale of the loans. At inception, we record a liability representing the fair value of our obligation which is subsequently amortized as we are released from risk of payment under the loss sharing agreement. If payment under the loss sharing agreement becomes probable and estimable, an additional liability may be recorded on the consolidated balance sheets and a non-interest expense may be recognized in the consolidated statements of income. The liability recognized on our consolidated balance sheets for these loss sharing agreements was $70 million and $59 million as of September 30, 2019 and December 31, 2018, respectively.

See “Note 5—Allowance for Loan and Lease Losses and Reserve for Unfunded Lending Commitments” for more information related to our credit card partnership loss sharing arrangements.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 132 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**U.K. Payment Protection Insurance**

In the U.K., we previously sold payment protection insurance (“PPI”). In response to an elevated level of customer complaints across the industry, heightened media coverage and pressure from consumer advocacy groups, the U.K. Financial Conduct Authority (“FCA”), formerly the Financial Services Authority, investigated and raised concerns about the way the industry has handled complaints related to the sale of these insurance policies. For the past several years, the U.K.’s Financial Ombudsman Service (“FOS”) has been adjudicating customer complaints relating to PPI, escalated to it by consumers who disagree with the rejection of their complaint by firms, leading to customer remediation payments by us and others within the industry. In August 2017, the FCA issued final rules and guidance on the PPI complaints. This set the deadline for complaints as August 29, 2019. It also provided clarity on how to handle PPI complaints under s.140A of the Consumer Credit Act, including guidance on how redress for such complaints should be calculated.

In determining our best estimate of incurred losses for future remediation payments, management considers numerous factors, including (i) the number of customer complaints or information requests still to be processed; (ii) our expectation of upholding those complaints; (iii) the expected number of complaints customers escalate to the FOS; (iv) our expectation of the FOS upholding such escalated complaints; (v) the number of complaints that fall under s.140A of the Consumer Credit Act; and (vi) the estimated remediation payout to customers. We monitor these factors each quarter and adjust our reserves to reflect the latest data.

Our U.K. PPI reserve totaled $231 million and $133 million as of September 30, 2019 and December 31, 2018, respectively. For the three months ended September 30, 2019, we recorded an additional reserve build of $212 million due to significantly elevated claims volume ahead of the August 29, 2019 claims submission deadline. Our best estimate of reasonably possible future losses beyond our reserve as of September 30, 2019 is approximately $50 million.

**Cybersecurity Incident**

On July 29, 2019, we announced that on July 19, 2019, we determined there was unauthorized access by an outside individual who obtained certain types of personal information relating to people who had applied for our credit card products and to our credit card customers (the “Cybersecurity Incident”). The Cybersecurity Incident occurred on March 22 and 23, 2019. We believe that a highly sophisticated individual was able to exploit a specific configuration vulnerability in our infrastructure. The configuration vulnerability was reported to us by an external security researcher on July 17, 2019. We then began our own internal investigation, leading to the July 19, 2019, determination that the Cybersecurity Incident occurred. We immediately fixed the configuration vulnerability that this individual exploited and verified there are no other instances in our environment. Among other things, we also augmented our routine automated scanning to look for this issue on a continuous basis. We promptly began working with federal law enforcement. The person responsible was arrested by the Federal Bureau of Investigation on July 29, 2019 and federal prosecution of the responsible person has commenced. The U.S. Attorney’s Office has stated they believe the data has been recovered and that there is no evidence the data was used for fraud or shared by this individual.

We provided required notification to affected individuals and made free credit monitoring and identity protection available. We retained a leading independent cybersecurity firm that confirmed we correctly identified and fixed the specific configuration vulnerability exploited in the Cybersecurity Incident. We also have retained an outside expert to conduct a review of the root causes of the incident to help further inform our cybersecurity program.

We are subject to numerous legal proceedings and other inquiries relating to the Cybersecurity Incident and could be the subject of additional proceedings and inquiries in the future. See “Litigation—Cybersecurity Incident” section of this Note for additional information.

We carry insurance to cover certain costs associated with a cyber risk event. This insurance has a total coverage limit of $400 million and is subject to a $10 million deductible, which was met in the third quarter of 2019, as well as standard exclusions. During the third quarter of 2019, we incurred approximately $22 million of net Cybersecurity Incident expenses, consisting of $49 million of expenses, primarily from customer notifications and credit monitoring, and $27 million of probable insurance recoveries.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 133 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Litigation**

In accordance with the current accounting standards for loss contingencies, we establish reserves for litigation-related matters that arise from the ordinary course of our business activities when it is probable that a loss associated with a claim or proceeding has been incurred and the amount of the loss can be reasonably estimated. None of the amounts we currently have recorded individually or in the aggregate are considered to be material to our financial condition. Litigation claims and proceedings of all types are subject to many uncertain factors that generally cannot be predicted with assurance. Below we provide a description of potentially material legal proceedings and claims.

For some of the matters disclosed below, we are able to estimate reasonably possible losses above existing reserves, and for other disclosed matters, such an estimate is not possible at this time. For those matters below where an estimate is possible, management currently estimates the reasonably possible future losses beyond our reserves as of September 30, 2019 are approximately $1.1 billion. Our reserve and reasonably possible loss estimates involve considerable judgment and reflect that there is still significant uncertainty regarding numerous factors that may impact the ultimate loss levels. Notwithstanding our attempt to estimate a reasonably possible range of loss beyond our current accrual levels for some litigation matters based on current information, it is possible that actual future losses will exceed both the current accrual level and the range of reasonably possible losses disclosed here. Given the inherent uncertainties involved in these matters, especially those involving governmental agencies, and the very large or indeterminate damages sought in some of these matters, there is significant uncertainty as to the ultimate liability we may incur from these litigation matters and an adverse outcome in one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

***Interchange***

In 2005, a putative class of retail merchants filed antitrust lawsuits against MasterCard and Visa and several issuing banks, including Capital One, seeking both injunctive relief and monetary damages for an alleged conspiracy by defendants to fix the level of interchange fees. Other merchants have asserted similar claims in separate lawsuits, and while these separate cases did not name any issuing banks, Visa, MasterCard and issuers, including Capital One, have entered settlement and judgment sharing agreements allocating the liabilities of any judgment or settlement arising from all interchange-related cases.

The lawsuits were consolidated before the U.S. District Court for the Eastern District of New York for certain purposes and were settled in 2012. The class settlement, however, was invalidated by the United States Court of Appeals for the Second Circuit in June 2016, and the suit was bifurcated into separate class actions seeking injunctive and monetary relief, respectively. In addition, numerous merchant groups opted out of the 2012 settlement and have pursued their own claims. The claims by the injunctive relief class have not been resolved, but the parties reached a new settlement agreement with the monetary damages class in August 2018, whereby the class would receive up to approximately $6.2 billion collectively from the defendants in exchange for a release of their claims, depending on the percentage of class plaintiffs who opt out. The trial court preliminarily approved the settlement in January 2019. Visa and MasterCard have also settled several of the opt-out cases, which required non-material payments from issuing banks, including Capital One. Visa created a litigation escrow account following its initial public offering of stock in 2008 that funds settlements for its member banks, and any settlements related to MasterCard-allocated losses have either already been paid or are reflected in our reserves.

***Mortgage Representation and Warranty***

We face residual exposure related to subsidiaries that originated residential mortgage loans and sold these loans to various purchasers, including purchasers who created securitization trusts. In connection with their sales of mortgage loans, these subsidiaries entered into agreements containing varying representations and warranties about, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan’s compliance with any applicable criteria established by the purchaser, including underwriting guidelines and the existence of mortgage insurance, and the loan’s compliance with applicable federal, state and local laws. Each of these subsidiaries may be required to repurchase mortgage loans or indemnify certain purchasers and others against losses they incur in the event of certain breaches of these representations and warranties.

The substantial majority of our representation and warranty exposure has been resolved through litigation, and our remaining representation and warranty exposure is almost entirely litigation-related. Accordingly, we establish litigation reserves for representation and warranty losses that we consider to be both probable and reasonably estimable. The reserve process relies heavily on estimates, which are inherently uncertain, and requires the application of judgment. Our reserves and estimates of

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 134 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

reasonably possible losses could be impacted by claims which may be brought by securitization trustees and sponsors, bond-insurers, investors, and GSEs, as well as claims brought by governmental agencies.

***Anti-Money Laundering***

We are subject to an open consent order with the Office of the Comptroller of the Currency (“OCC”) dated July 10, 2015 relating to our anti-money laundering (“AML”) program. In October 2018, we paid a civil monetary penalty of $100 million to resolve the monetary component of the AML consent order.

The Department of Justice and the New York District Attorney’s Office have closed their investigations into certain former check casher clients of the Commercial Banking business and our AML program. We are in discussions with the Financial Crimes Enforcement Network (“FinCEN”) of the U.S. Department of Treasury to explore a potential regulatory resolution of its investigation into our AML program, which could include a monetary penalty.

***Cybersecurity Incident***

As a result of the Cybersecurity Incident announced on July 29, 2019, we are subject to numerous legal proceedings and other inquiries and could be the subject of additional proceedings and inquiries in the future.

*Consumer class actions*. To date, we have been named as a defendant in approximately 70 putative consumer class action cases (60 in U.S. federal courts and 10 in Canadian courts) alleging harm from the Cybersecurity Incident and seeking various remedies, including monetary and injunctive relief. The lawsuits allege breach of contract, negligence, violations of various privacy laws and a variety of other legal causes of action. On October 2, 2019, the U.S. consumer class actions were consolidated for pretrial proceedings before a multi-district litigation panel in the U.S. District Court for the Eastern District of Virginia, Alexandria Division.

*Securities class action*. The Company and certain officers have also been named as defendants in a putative class action in the U.S. District Court for the Eastern District of New York, which was filed on October 2, 2019, alleging violations of certain federal securities laws in connection with statements and alleged omissions in securities filings relating to our information security standards and practices. The complaint seeks certification of a class of all persons who purchased or otherwise acquired Capital One securities from February 2, 2018 to June 29, 2019, as well as unspecified monetary damages, costs and other relief.

*State Attorneys General inquiries*. We have received inquiries and requests for information relating to the Cybersecurity Incident from the offices of approximately a dozen state Attorneys General. We are cooperating with these offices and responding to their inquiries.

***Taxi Medallion Finance Investigations***

We received a subpoena from the New York Attorney General’s office in August 2019 and a subpoena from the U.S. Attorney’s Office for the Southern District of New York, Civil Division, in October 2019 relating to investigations of the taxi medallion finance industry we exited beginning in 2015. The subpoenas seek, among other things, information regarding our lending counterparties and practices. We are cooperating with these investigations.

***U.K. PPI Litigation***

Some of the claimants in the U.K. PPI regulatory claims process described above have initiated legal proceedings. The significant increase in PPI regulatory claim volumes shortly before the August 29, 2019 claims submission deadline increases the potential exposure for PPI-related litigation, which is not subject to the August 29, 2019 deadline.

***Other Pending and Threatened Litigation***

In addition, we are commonly subject to various pending and threatened legal actions relating to the conduct of our normal business activities. In the opinion of management, the ultimate aggregate liability, if any, arising out of all such other pending or threatened legal actions, is not expected to be material to our consolidated financial position or our results of operations.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 135 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**CAPITAL ONE FINANCIAL CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

For a discussion of the quantitative and qualitative disclosures about market risk, see “MD&A—Market Risk Profile.”

**Item 4. Controls and Procedures**

**Overview**

We are required under applicable laws and regulations to maintain controls and procedures, which include disclosure controls and procedures as well as internal control over financial reporting, as further described below.

**(a) Disclosure Controls and Procedures**

Disclosure controls and procedures refer to controls and other procedures designed to provide reasonable assurance that information required to be disclosed in our financial reports is recorded, processed, summarized and reported within the time periods specified by the U.S. Securities and Exchange Commission (“SEC”) rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and we must apply judgment in evaluating and implementing possible controls and procedures.

***Evaluation of Disclosure Controls and Procedures***

As required by Rule 13a-15 of the Securities Exchange Act of 1934 (“Exchange Act”), our management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of September 30, 2019, the end of the period covered by this Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019, at a reasonable level of assurance, in recording, processing, summarizing and reporting information required to be disclosed within the time periods specified by the SEC rules and forms.

**(b) Changes in Internal Control Over Financial Reporting**

We regularly review our disclosure controls and procedures and make changes intended to ensure the quality of our financial reporting. There were no changes in internal control over financial reporting that occurred in the third quarter of 2019 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 136 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings**

The information required by Item 103 of Regulation S-K is included in “Note 14—Commitments, Contingencies, Guarantees and Others.”

**Item 1A. Risk Factors**

We are not aware of any material changes from the risk factors set forth under “Part I—Item 1A. Risk Factors” in our 2018 Form 10-K and “Part II—Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the period ended June 30, 2019.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table presents information related to repurchases of shares of our common stock for each calendar month in the third quarter of 2019. Commission costs are excluded from the amounts presented below.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Total Number**  **of Shares**  **Purchased(1)** | |  | **Average**  **Price Paid**  **per Share** | | |  | **Total Number of**  **Shares Purchased as**  **Part of Publicly**  **Announced Plans** | |  | **Maximum**  **Amount That May**  **Yet be Purchased**  **Under the Plan**  **or Program**  *(in millions)* | | |
| July |  | **4,765** |  |  | **$** | **92.04** |  |  | **—** |  |  | **$** | **2,200** |  |
| August |  | **3,146,932** |  |  | **87.07** | |  |  | **3,127,200** |  |  | **1,928** | |  |
| September |  | **2,138,259** |  |  | **90.79** | |  |  | **2,138,259** |  |  | **1,734** | |  |
| Total |  | **5,289,956** |  |  | **88.58** | |  |  | **5,265,459** |  |  |  | | |

\_\_\_\_\_\_\_\_\_\_

|  |  |
| --- | --- |
|  |  |
| (1) | Comprises mainly repurchases of common stock under the 2019 Stock Repurchase Program. There were 4,765 and 19,732 shares withheld in July and August, respectively, to cover taxes on restricted stock awards whose restrictions have lapsed. For additional information including our 2019 Stock Repurchase Program, see “MD&A—Capital Management—Dividend Policy and Stock Purchases.” |

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

An index to exhibits has been filed as part of this Report and is incorporated herein by reference.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 137 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**EXHIBIT INDEX**

The following exhibits are incorporated by reference or filed herewith. Reference to the “2003 Form 10-K” is to the Company’s Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 5, 2004.

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
| **Exhibit No.** |  | **Description** |
| 3.1 |  | [Restated Certificate of Incorporation of Capital One Financial Corporation (as restated April 30, 2015) (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on May 4, 2015).](http://www.sec.gov/Archives/edgar/data/927628/000092762815000049/cof8-kxex31.htm) |
| 3.2 |  | [Amended and Restated Bylaws of Capital One Financial Corporation, dated October 5, 2015 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on October 5, 2015).](http://www.sec.gov/Archives/edgar/data/927628/000092762815000096/exhibit31.htm) |
| 3.3.1 |  | [Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series B, dated August 16, 2012 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on August 20, 2012).](http://www.sec.gov/Archives/edgar/data/927628/000119312512362016/d395908dex31.htm) |
| 3.3.2 |  | [Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series C, dated June 11, 2014 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed June 12, 2014).](http://www.sec.gov/Archives/edgar/data/927628/000119312514234831/d743759dex31.htm) |
| 3.3.3 |  | [Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series D, dated October 29, 2014 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed October 31, 2014).](http://www.sec.gov/Archives/edgar/data/927628/000119312514392005/d811314dex31.htm) |
| 3.3.4 |  | [Certificate of Designations of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, dated May 12, 2015 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed May 14, 2015).](http://www.sec.gov/Archives/edgar/data/927628/000119312515188204/d925675dex31.htm) |
| 3.3.5 |  | [Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series F, dated August 20, 2015 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed August 24, 2015).](http://www.sec.gov/Archives/edgar/data/927628/000119312515300291/d95150dex31.htm) |
| 3.3.6 |  | [Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series G, dated July 28, 2016 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed July 29, 2016).](http://www.sec.gov/Archives/edgar/data/927628/000119312516664587/d202765dex31.htm) |
| 3.3.7 |  | [Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series H, dated November 28, 2016 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on November 29, 2016).](http://www.sec.gov/Archives/edgar/data/927628/000119312516779693/d300074dex31.htm) |
| 3.3.8 |  | [Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series I, dated September 10, 2019 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on September 11, 2019).](http://www.sec.gov/Archives/edgar/data/927628/000119312519243010/d766839dex31.htm) |
| 4.1.1 |  | [Specimen certificate representing the common stock of Capital One Financial Corporation (incorporated by reference to Exhibit 4.1 of the 2003 Form 10-K).](http://www.sec.gov/Archives/edgar/data/927628/000119312504035097/dex41.htm) |
| 4.1.2 |  | [Warrant Agreement, dated December 3, 2009, between Capital One Financial Corporation and Computershare Trust Company, N.A. (incorporated by reference to the Exhibit 4.1 of the Form 8-A, filed on December 4, 2009).](http://www.sec.gov/Archives/edgar/data/927628/000119312509247098/dex41.htm) |
| 4.1.3 |  | [Deposit Agreement, dated August 20, 2012 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K, filed on August 20, 2012).](http://www.sec.gov/Archives/edgar/data/927628/000119312512362016/d395908dex41.htm) |
| 4.2 |  | Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, copies of instruments defining the rights of holders of long-term debt are not filed. The Company agrees to furnish a copy thereof to the SEC upon request. |
| 31.1\* |  | [Certification of Richard D. Fairbank.](cof-09302019x10qxex311.htm) |
| 31.2\* |  | [Certification of R. Scott Blackley.](cof-09302019x10qxex312.htm) |
| 32.1\*\* |  | [Certification of Richard D. Fairbank.](cof-09302019x10qxex321.htm) |
| 32.2\*\* |  | [Certification of R. Scott Blackley.](cof-09302019x10qxex322.htm) |
| 101.INS |  | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH\* |  | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL\* |  | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF\* |  | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB\* |  | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE\* |  | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104\* |  | The cover page of Capital One Financial Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL (included within the Exhibit 101 attachments). |

**\_\_\_\_\_\_\_\_\_\_**

|  |  |
| --- | --- |
|  |  |
| \* | Indicates a document being filed with this Form 10-Q. |

|  |  |
| --- | --- |
|  |  |
| \*\* | Indicates a document being furnished with this Form 10-Q. Information in this Form 10-Q furnished herewith 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. Such exhibit shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934. |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 138 | Capital One Financial Corporation (COF) |

[Table of Contents](#s290A3489E7EE505AA691BC2A0082BEB7)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | | | | |
|  |  |  |  |  |  |
|  |  |  |  | **CAPITAL ONE FINANCIAL CORPORATION** |  |
|  |  |  |  |  |  |
| Date: October 31, 2019 |  | By: |  | /s/ R. SCOTT BLACKLEY |  |
|  |  |  |  | R. Scott Blackley |  |
|  |  |  |  | Chief Financial Officer |  |

|  |  |  |
| --- | --- | --- |
|  | | |
|  |  |  |
|  | | |
|  | 139 | Capital One Financial Corporation (COF) |