

# **Capital One** | second quarter 2004 results

July 21, 2004

# Forward looking statements

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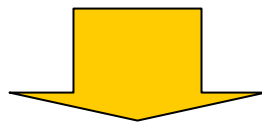
Certain statements in this presentation and other oral and written statements made by the Company from time to time, are forward-looking statements, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns, earnings per share or other financial measures. To the extent 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 forward-looking statements, including, among other things: continued intense competition from numerous providers of products and services which compete with our businesses; an increase or decrease in credit losses; financial, legal, regulatory or accounting changes or actions; changes in interest rates; general economic conditions affecting consumer income, spending and repayments; changes in our aggregate accounts or consumer loan balances and the growth rate and composition thereof; changes in the reputation of the credit card industry and/or the company with respect to practices and products; our ability to continue to securitize our credit cards and consumer loans and to otherwise access the capital markets at attractive rates and terms to fund our operations and future growth; our ability to successfully continue to diversify our assets; losses associated with new products or services or expansion internationally; the company's ability to execute on its strategic and operational plans; any significant disruption of, or loss of public confidence in, the United States Mail service affecting our response rates and consumer payments; any significant disruption in our operations or technology platform; our ability to recruit and retain experienced personnel to assist in the management and operations of new products and services; and other factors listed from time to time in reports we file with the Securities and Exchange Commission (the "SEC"), including, but not limited to, factors set forth under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2003, and any subsequent quarterly reports on Form 10-Q. You should carefully consider the factors discussed above in evaluating these forward-looking statements.

All information in these slides is based on the consolidated results of Capital One Financial Corporation. Further information about Capital One can be obtained from the Corporation's public filings with the SEC. A reconciliation of any non-GAAP financial measures included in this presentation can be found in the Company's most recent Form 8-K or Form 10-Q concerning quarterly financial results, available on the Company's website at [www.capitalone.com](http://www.capitalone.com) in Investor Relations under "About Capital One."

# Capital One delivered another strong quarter in Q204

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- Q204 fully diluted EPS of \$1.65
- Managed ROA remains ahead of trend at 1.84%
- Managed charge-off rate down 41 bps to 4.42%
- Managed delinquency rate stabilizing at historically low levels
- Managed loan growth of \$1.6 billion; on track for mid-teens growth rate in 2004
- Diversification beyond US Card delivers growth and profits
- Liquidity and capital positions remain strong



**2004 EPS Guidance of \$5.60 - \$5.90**

# We have positioned Capital One to deliver strong performance in 2004 and 2005

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Mid-teens  
loan growth rate  
target

- Moderate growth in US Card
- Strong growth in Auto and GFS
- Bias toward lower loss assets

1.6% ROA  
target

- Charge-off and expense reductions off-set revenue margin declines

Continued  
diversification

- Diversification businesses continue to gain momentum:
  - 38% of managed loans
  - 24% of profits
- Deposits 27% of total liabilities & capital

# Second quarter 2004

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**Financial  
Update**

**Business  
Update**



# Our strong results were driven by improved credit and efficiency

## Managed Income Statement (\$Millions except per share data)

	<u>Q204</u>	<u>Q104</u>	<u>Q203</u>	<u>Q204/Q203 Change</u>	
				<u>\$</u>	<u>% or bps</u>
Net Interest Income	\$ 1,585.4	\$ 1,677.1	\$ 1,457.5	\$ 127.9	9 %
Non-Interest Income	1,011.3	1,014.5	1,046.0	(34.7)	(3)
Total Revenue	2,596.7	2,691.6	2,503.5	93.2	4
Net Charge-offs	799.5	858.8	946.3	(146.8)	(16)
Allowance (Release)/Build	(70.0)	(100.0)	(45.0)	(25.0)	56
Other	2.4	1.3	(3.6)	6.0	n/a
Provision for Loan Losses	731.9	760.1	897.7	(165.8)	(18)
Marketing Expenses	253.8	255.1	270.6	(16.8)	(6)
Operating Expenses	975.0 <sup>(1)</sup>	969.7	881.0	94.0	11
Net Income	\$ 407.4	\$ 450.8	\$ 286.2	\$ 121.2	42
Shares Used to Compute Diluted EPS	247.6	245.4	232.6	15.0	6
Fully Diluted EPS	\$ 1.65	\$ 1.84	\$ 1.23	\$ 0.42	34
Revenue Margin	12.53 %	13.38 %	14.85 %	na	(232) bps
ROA	1.84	2.11	1.59	na	25

<sup>(1)</sup> Includes \$56.0 million in employee termination benefits and charges for facility consolidation related to corporate-wide cost reduction initiatives.

# The Q204 managed balance sheet shows loan growth on track with strength in capital and liquidity

## Managed Balance Sheet (\$Millions)

	<u>Q204</u>	<u>Q104</u>	<u>Q203</u>	<u>Q204/Q203 Change</u>	
				<u>\$</u>	<u>% or bps</u>
Loans	\$ 73,367	\$ 71,817	\$ 60,736	\$ 12,631	21 %
Total Assets	\$ 88,317	\$ 87,197	\$ 73,636	\$ 14,681	20 %
Capital <sup>(1)</sup>	8,057	7,675	6,130	1,927	31
Capital to Assets Ratio	9.12 %	8.80 %	8.33 %	n/a	79 bps
Capital plus Allowance to Assets Ratio	10.74	10.52	10.48	n/a	26

<sup>(1)</sup> Includes preferred interests and mandatory convertible securities.

## Available Liquidity (\$Millions)

	<u>Q204</u>	<u>Q104</u>	<u>Q203</u>	<u>Q204/Q203 Change</u>	
				<u>\$</u>	<u>%</u>
Cash and Securities	\$ 10,667	\$ 10,919	\$ 8,615	\$ 2,052	24 %
Untapped Conduit Capacity	9,209	8,801	4,886	4,323	88
Unsecured Credit Facility	750	1,454	1,345	(595)	(44)
Total Available Liquidity	\$ 20,626	\$ 21,174	\$ 14,846	\$ 5,780	39 %

# Credit and composition of loans drove another quarter of positive earnings momentum from allowance and revenue recognition

## Allowance for Loan Losses (\$Millions)

	<u>Q204</u>	<u>Q104</u>	<u>Q204/Q104 Change</u>	
			<u>\$</u>	<u>% or bps</u>
Net Charge-offs	\$ 799.5	\$ 858.8	\$ (59.3)	(7) %
Allowance (Release)/Build	(70.0)	(100.0)	30.0	(30)
Other	2.4	1.3	1.1	85
Provision for Loan Losses	731.9	760.1	(28.2)	(4)
Reported Loans	\$ 34,551	\$ 33,172	\$ 1,379	4 %
Allowance	1,425	1,495	(70)	(5)
Reported \$30+ Day Delinquencies	1,351	1,266	85	7
Reported \$30+ Delinquency Rate	3.91 %	3.82 %	na	9 bps
Reported Charge-off Rate	3.72	4.17	na	(45)

## Finance Charge & Fee Revenue Recognition (\$Millions)

	<u>Q204</u>	<u>Q104</u>	<u>Q204/Q104 Change</u>	
			<u>\$</u>	<u>%</u>
Amounts Billed to Customers but not Recognized as Revenue	\$ 263.5	\$ 285.5	\$ (22.0)	(8) %



# Favorable portfolio and performance trends drove provision and suppression down from Q104 to Q204

## Loan Loss Provision (reported)

## Revenue Suppression (managed)

### Portfolio

- Balance growth
- Higher credit quality loans



Lower  
billings

### Performance

- \$30+ Delinquencies
- Late stage delinquencies
- Net charge-offs



Improved  
credit



Improved  
collectibility

### Net Change



# Second quarter 2004

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**Financial  
Update**

**Business  
Update**



# Managed loan & profit diversification continued in Q204, and we remain on track for mid-teens loan growth for 2004

## Managed Loans<sup>(1)</sup> (\$Millions)

	<u>Q204</u>	<u>Q104</u>	<u>Q203</u>	<u>Q204/Q203Change</u>	
				<u>\$</u>	<u>%</u>
US Card	\$ 45,247	\$ 45,298	\$ 39,318	\$ 5,929	15 %
Global Financial Services <sup>(2)</sup>	18,723	17,643	14,046	4,677	33
Auto Finance	9,383	8,834	7,380	2,003	27
Other <sup>(3)</sup>	14	42	(8)	22	n/a
<b>Total Consolidated</b>	<b>\$ 73,367</b>	<b>\$ 71,817</b>	<b>\$ 60,736</b>	<b>\$ 12,631</b>	<b>21 %</b>

## Net Income After Tax<sup>(1)</sup> (\$Millions)

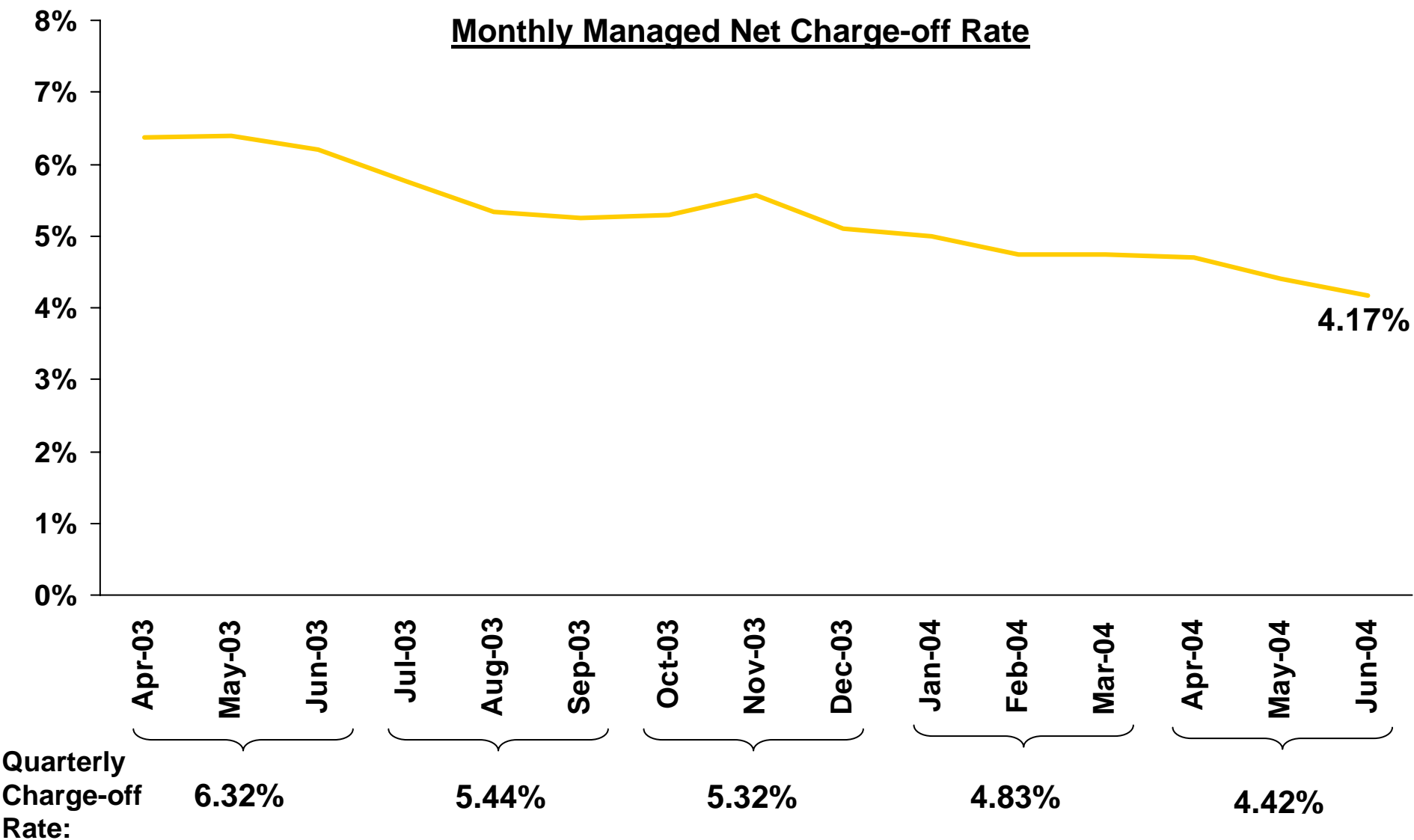
	<u>Q204</u>	<u>Q104</u>	<u>Q203</u>	<u>Q204/Q203Change</u>	
				<u>\$</u>	<u>%</u>
US Card	\$ 384.1	\$ 386.8	\$ 274.2	\$ 109.9	40 %
Global Financial Services <sup>(2)</sup>	46.1	50.9	25.5	20.6	81
Auto Finance	52.7	30.7	44.0	8.7	20
Other <sup>(3)</sup>	(75.5)	(17.6)	(57.5)	(18.0)	31
<b>Total Consolidated</b>	<b>\$ 407.4</b>	<b>\$ 450.8</b>	<b>\$ 286.2</b>	<b>\$ 121.2</b>	<b>42 %</b>

(1) Based on internal allocations of consolidated results

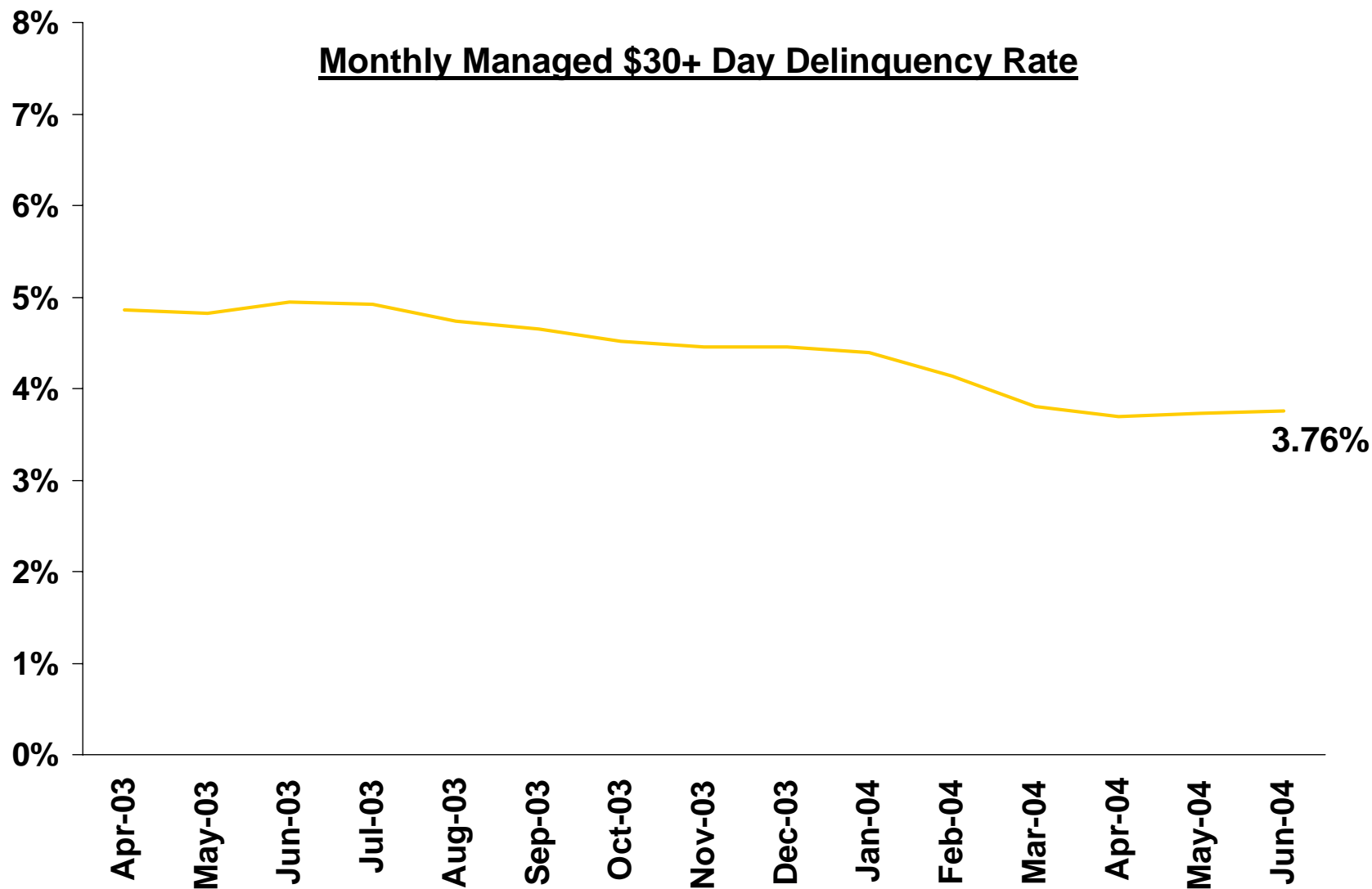
(2) Global Financial Services includes all International businesses, Installment Loans, Small Business Lending, and a variety of smaller ventures

(3) The Other caption includes the company's treasury activities, investments in external companies, various non-lending activities and certain unallocated expenses

# The steady improvement in the managed charge-off rate continued in Q204

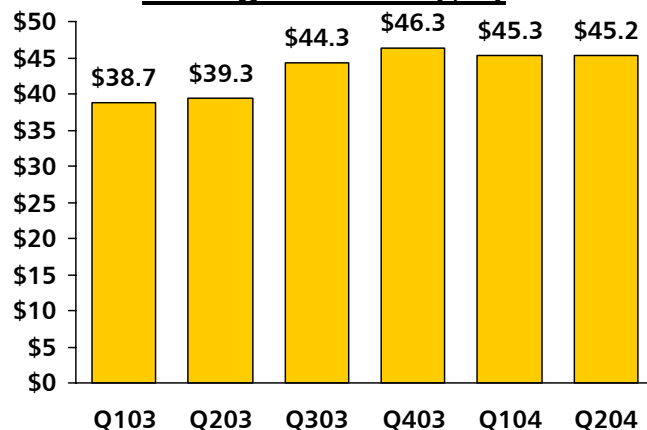


# Managed 30+ delinquency rate is stabilizing at historically low levels

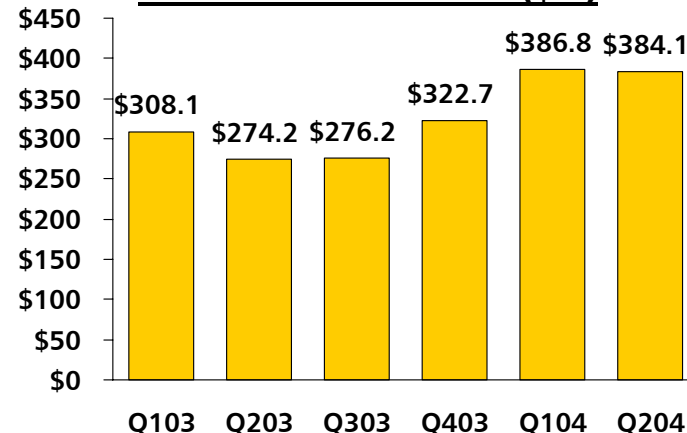


# US Card continued to deliver strong profitability & credit performance

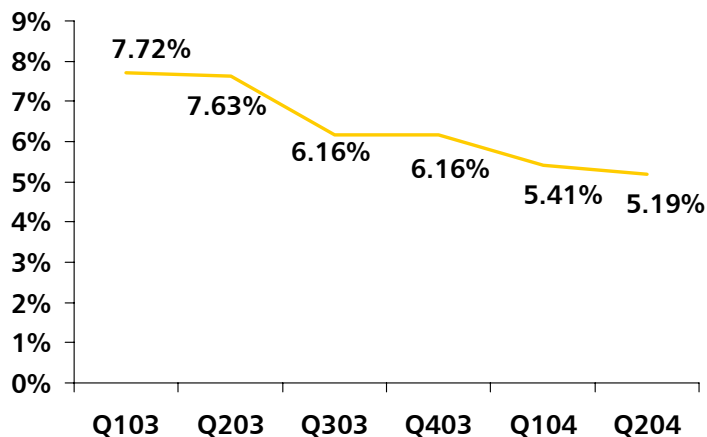
**Managed Loans (\$B)**



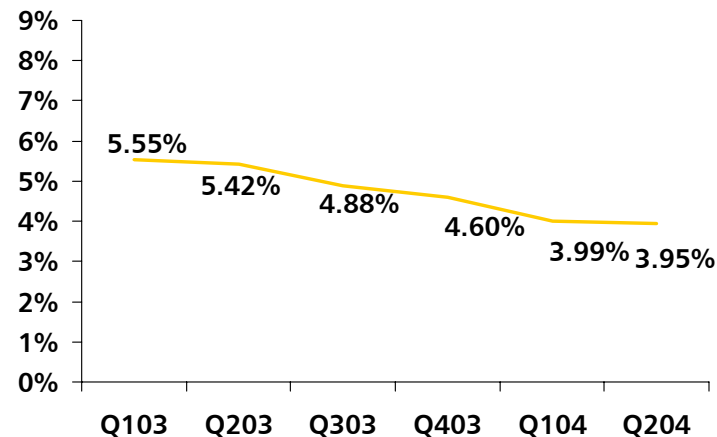
**Net Income After Tax (\$M)**



**Managed Net Charge-off Rate**

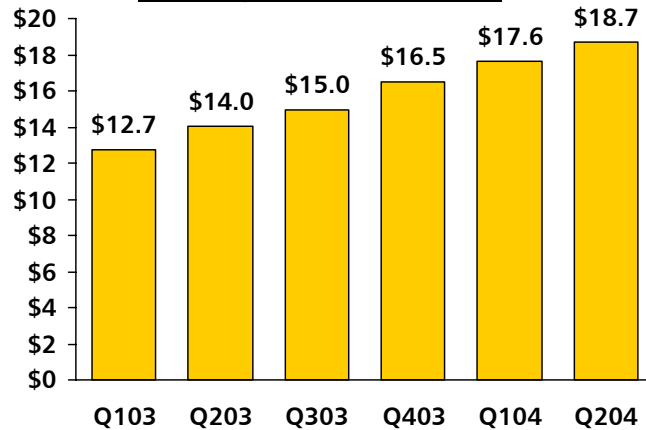


**Managed \$30+ Delinquency Rate**

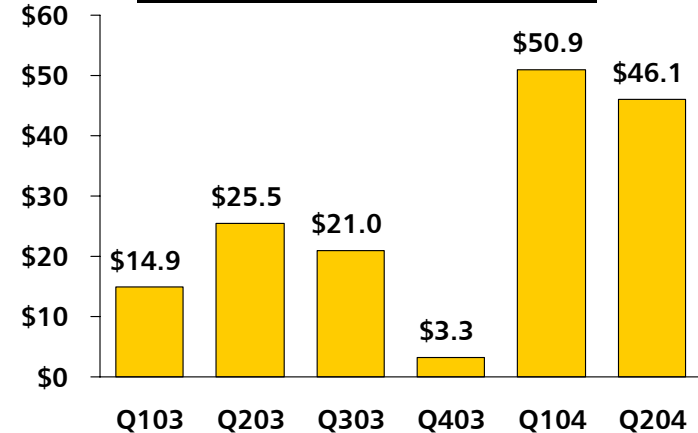


# Global Financial Services continued to be a significant driver of both asset and profit diversification

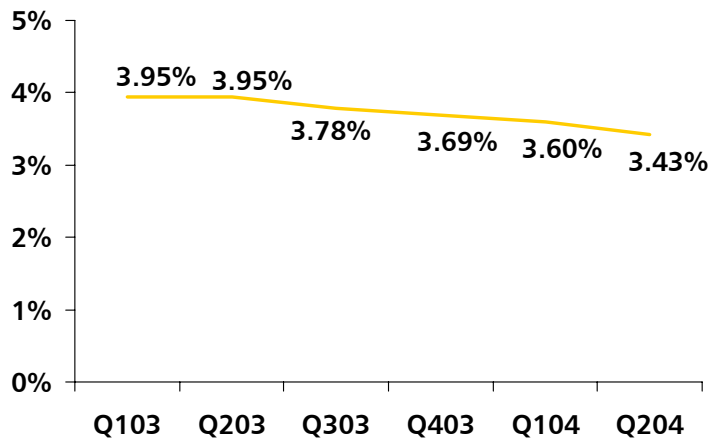
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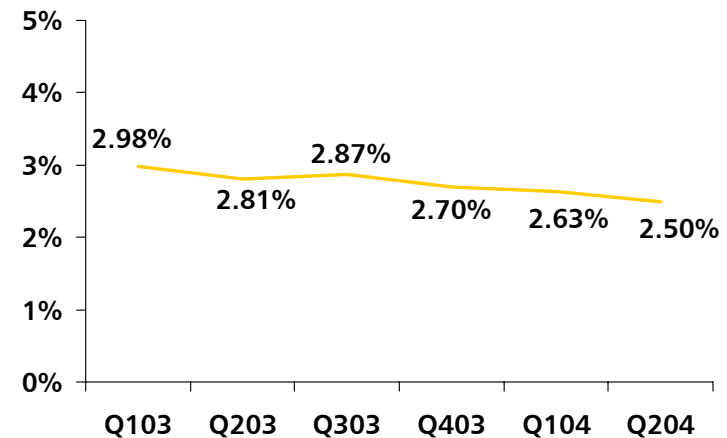
**Net Income After Tax (\$M)**



**Managed Net Charge-off Rate**

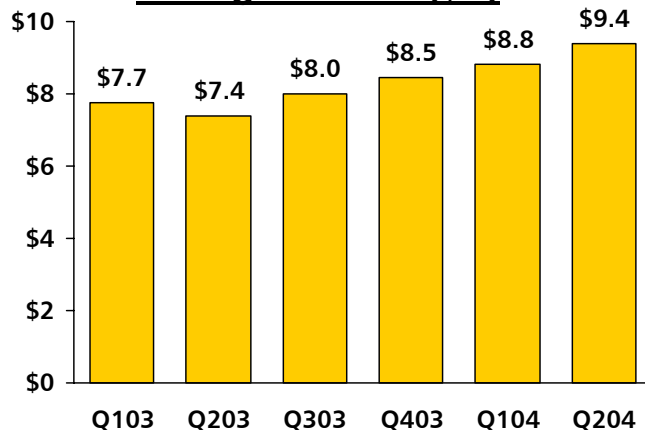


**Managed \$30+ Delinquency Rate**

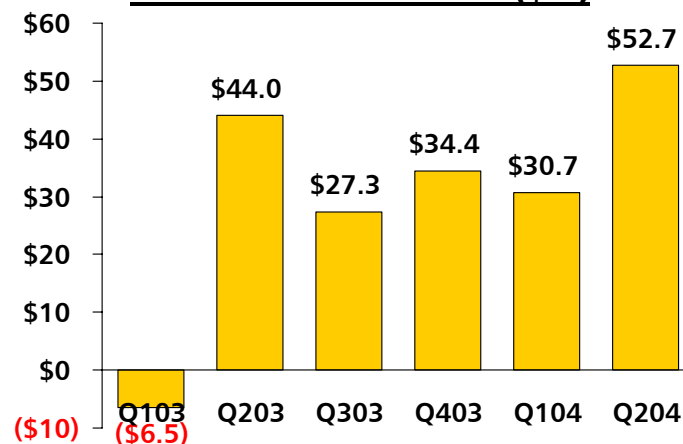


# Auto Finance delivered a seasonally strong quarter, and continues to drive both asset & profit diversification

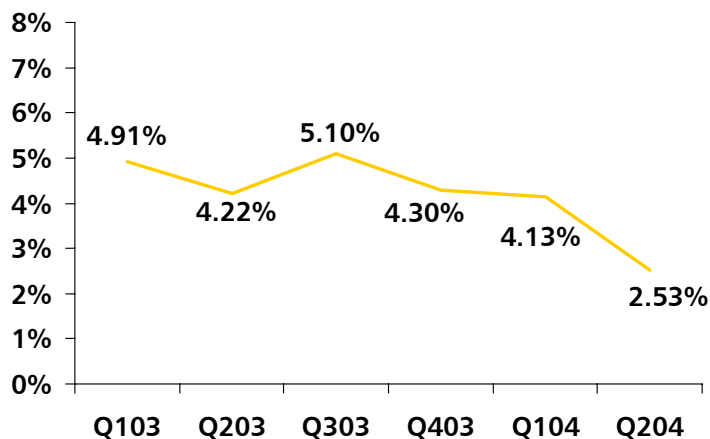
**Managed Loans (\$B)**



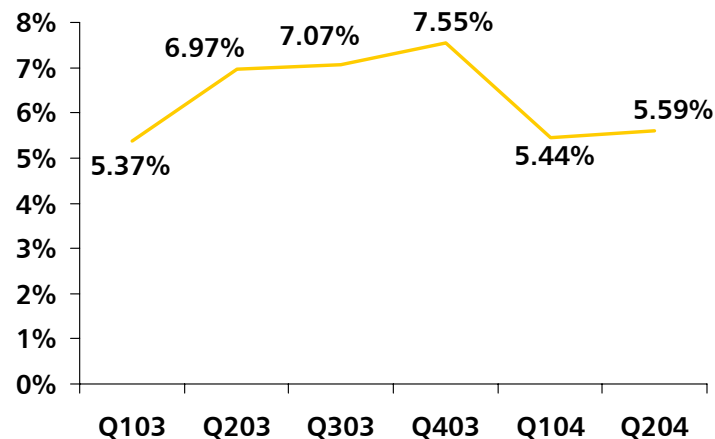
**Net Income After Tax (\$M)**



**Managed Net Charge-off Rate**



**Managed \$30+ Delinquency Rate**





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