



Fourth Quarter 2022 Results

January 24, 2023

Forward-Looking Statements



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You should carefully consider the factors referred to above in evaluating these forward-looking statements. All information in these slides is based on the consolidated results of Capital One, unless otherwise noted. This presentation includes certain non-GAAP financial measures as defined by SEC rules. These non-GAAP financial measures may be useful to investors but should not be viewed in isolation from, or as a substitute for, GAAP results, nor are they necessarily comparably to non-GAAP measures that may be presented by other companies. A reconciliation of any non-GAAP financial measures included in this presentation to the comparative GAAP measure can be found in Capital One's Current Report on Form 8-K filed January 24, 2023, available on its website at www.capitalone.com under "Investors."

Q4 2022 Company Highlights

- Net income of \$1.2 billion, or \$3.03 per diluted common share for the fourth quarter of 2022; net income of \$7.4 billion, or \$17.91 per diluted common share for the full year 2022
 - Adjusted net income per diluted common share⁽¹⁾ of \$2.82 for the fourth quarter of 2022 and \$17.71 for the full year 2022
- Pre-provision earnings⁽²⁾ increased 3% to \$4.0 billion for the fourth quarter of 2022 and increased 9% to \$15.1 billion for the full year 2022
- Provision for credit losses of \$2.4 billion for the fourth quarter of 2022 and \$5.8 billion for the full year 2022
- Efficiency ratio of 56.19% for the fourth quarter of 2022 and 55.95% for the full year 2022
 - Adjusted efficiency ratio⁽¹⁾ was 57.36% for the fourth quarter of 2022 and 56.26% for the full year 2022
- Operating efficiency ratio of 43.83% for the fourth quarter of 2022 and 44.22% for the full year 2022
 - Adjusted operating efficiency ratio⁽¹⁾ was 44.99% for the fourth quarter of 2022 and 44.53% for the full year 2022
- The quarter included the following adjusting items that increase/(decrease) earnings:

<i>(Dollars in millions, except per share data)</i>	Pre-Tax Impact	After-Tax Diluted EPS Impact
Insurance recoveries and legal reserve activity	\$ (177)	\$ (0.35)
Restructuring Charges	\$ 72	\$ 0.14

- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 12.5% at December 31, 2022
- Period-end loans held for investment increased \$8.4 billion to \$312.3 billion
- Average loans held for investment increased \$6.7 billion to \$306.9 billion
- Period-end total deposits increased \$15.8 billion to \$333.0 billion
- Average total deposits increased \$14.6 billion to \$326.6 billion

Note: All comparisons are for the fourth quarter of 2022 compared with the third quarter of 2022 unless otherwise noted. Regulatory capital metrics and capital ratios as of December 31, 2022 are preliminary and therefore subject to change.

⁽¹⁾ These are non-GAAP measures. See appendix slide 15 for the reconciliation of non-GAAP measures to our reported results.

⁽²⁾ Pre-provision earnings is calculated based on the sum of net interest income and non-interest income, less non-interest expense for the period. Management believes that this financial metric is useful in enabling investors and others to assess the Company's ability to generate income to cover credit losses through a credit cycle, which can vary significantly between periods.

Allowance for Credit Losses

<i>(Dollars in millions)</i>	Credit Card	Consumer Banking	Commercial Banking	Total
Allowance for credit losses:				
Balance as of September 30, 2022	\$ 8,716	\$ 2,108	\$ 1,385	\$ 12,209
Charge-offs	(1,351)	(524)	(15)	(1,890)
Recoveries	283	176	1	460
Net charge-offs	(1,068)	(348)	(14)	(1,430)
Provision (benefit) for credit losses ⁽¹⁾⁽²⁾	1,878	477	87	2,442
Allowance build for credit losses ⁽¹⁾	810	129	73	1,012
Other changes ⁽³⁾	19	—	—	19
Balance as of December 31, 2022	<u>\$ 9,545</u>	<u>\$ 2,237</u>	<u>\$ 1,458</u>	<u>\$ 13,240</u>
Allowance coverage ratio as of December 31, 2022	<u>6.93%</u>	<u>2.80%</u>	<u>1.54%</u>	<u>4.24%</u>

Fourth Quarter 2022 Highlights

- Allowance build of \$1.0 billion primarily driven by a modestly worse economic outlook and loan growth
- Allowance coverage ratio of 4.24% at December 31, 2022, compared to 4.02% at September 30, 2022

⁽¹⁾ Does not include \$(25) million of provision (benefit) related to unfunded lending commitments that is recorded in other liabilities in Commercial Banking.

⁽²⁾ Does not include \$(1) million of provision (benefit) related to available for sale securities.

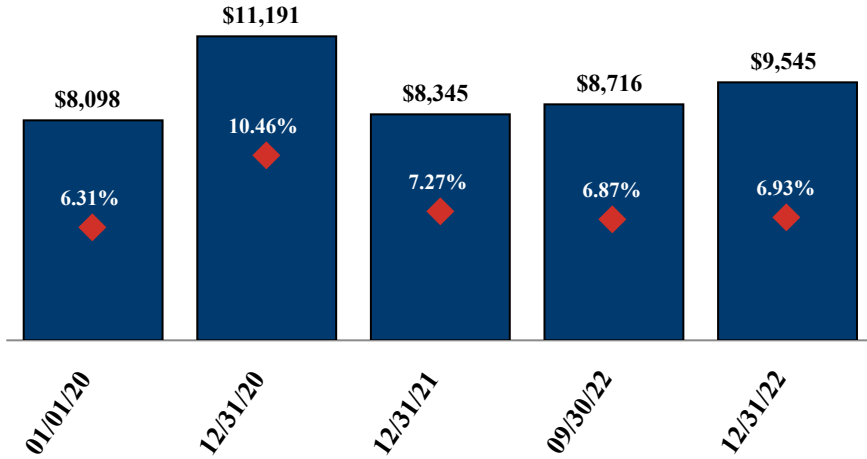
⁽³⁾ Primarily represents foreign currency translation adjustments.

Allowance Coverage Ratios by Segment

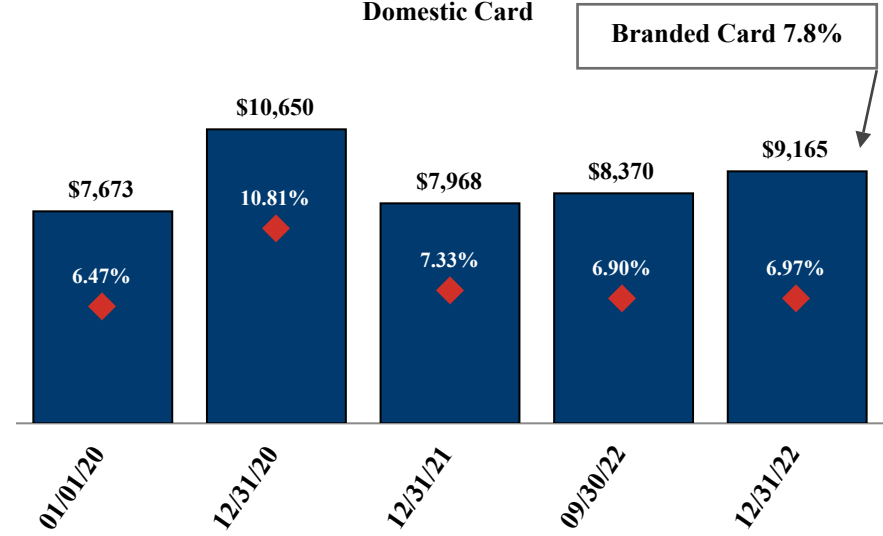


- Allowance for credit losses (\$M)
- ◆ Allowance Coverage Ratio

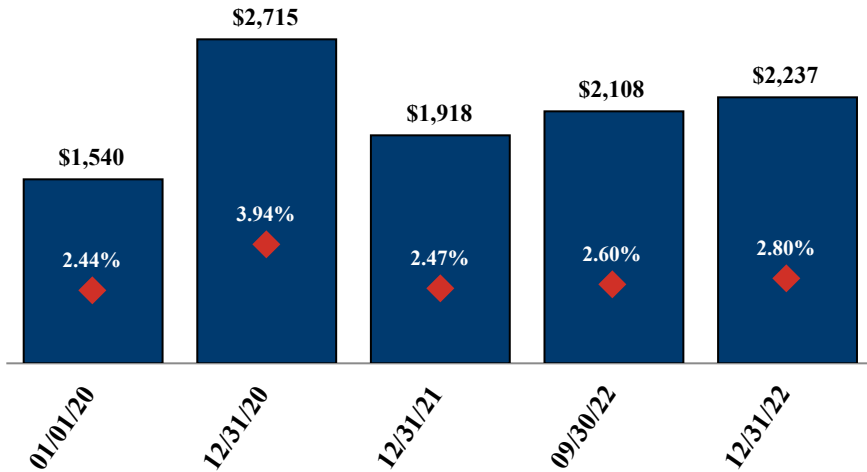
Credit Card



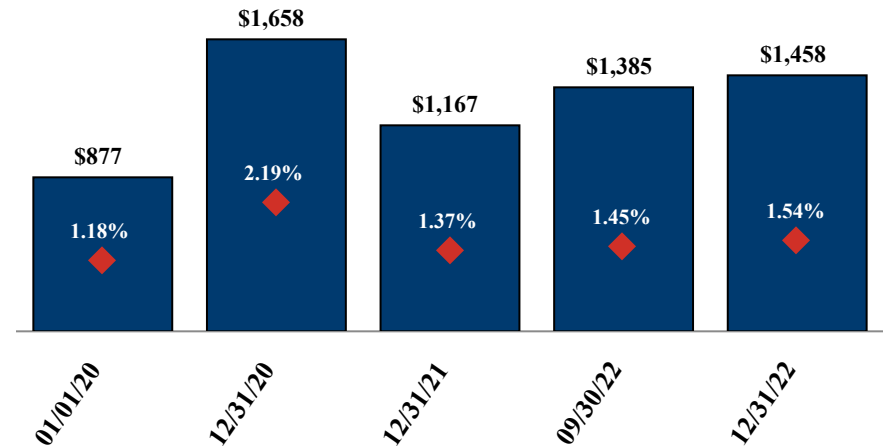
Domestic Card



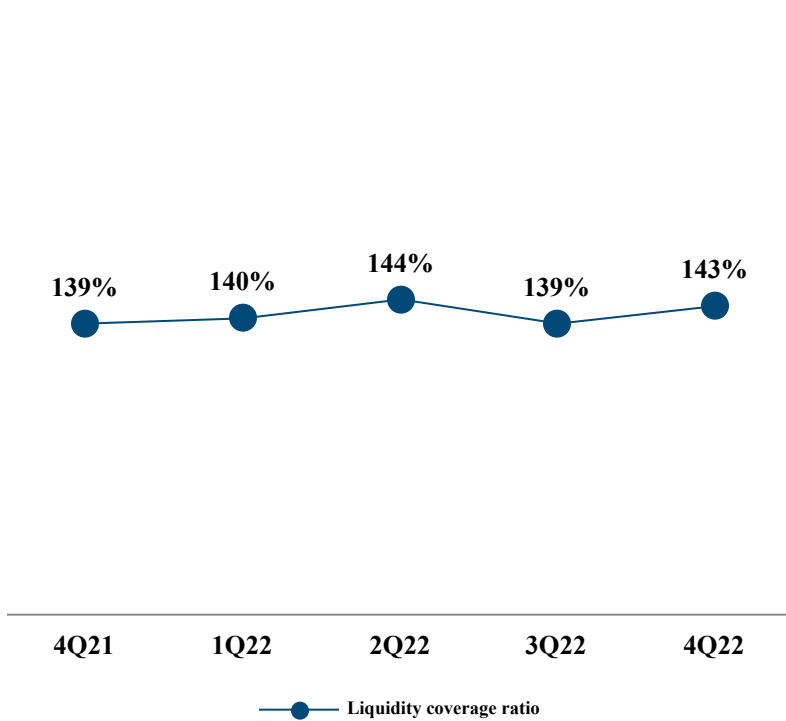
Consumer Banking



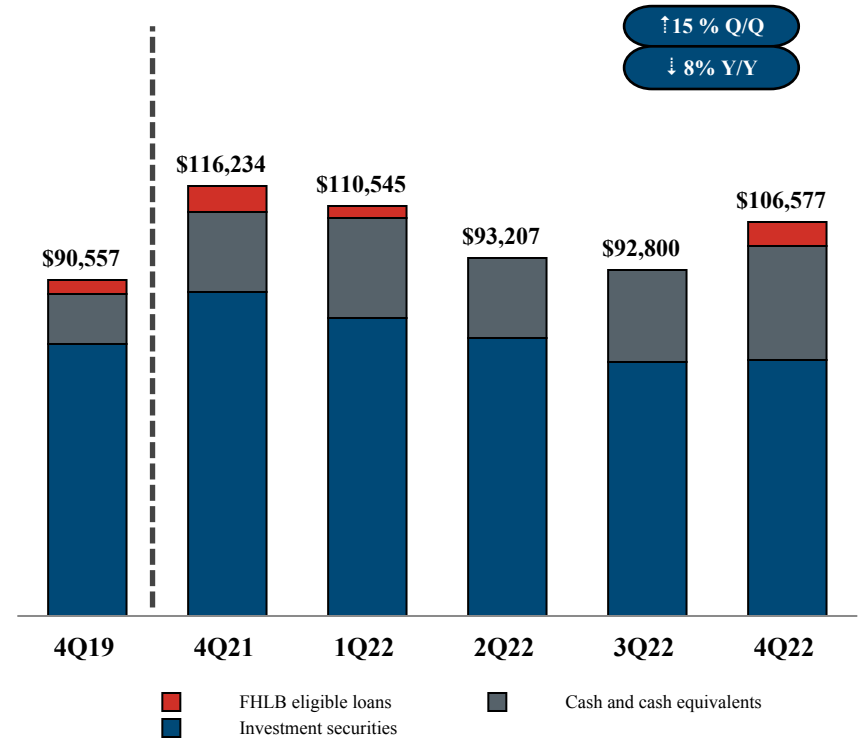
Commercial Banking



Liquidity Coverage Ratio



Total Liquidity Reserves (\$M)⁽¹⁾



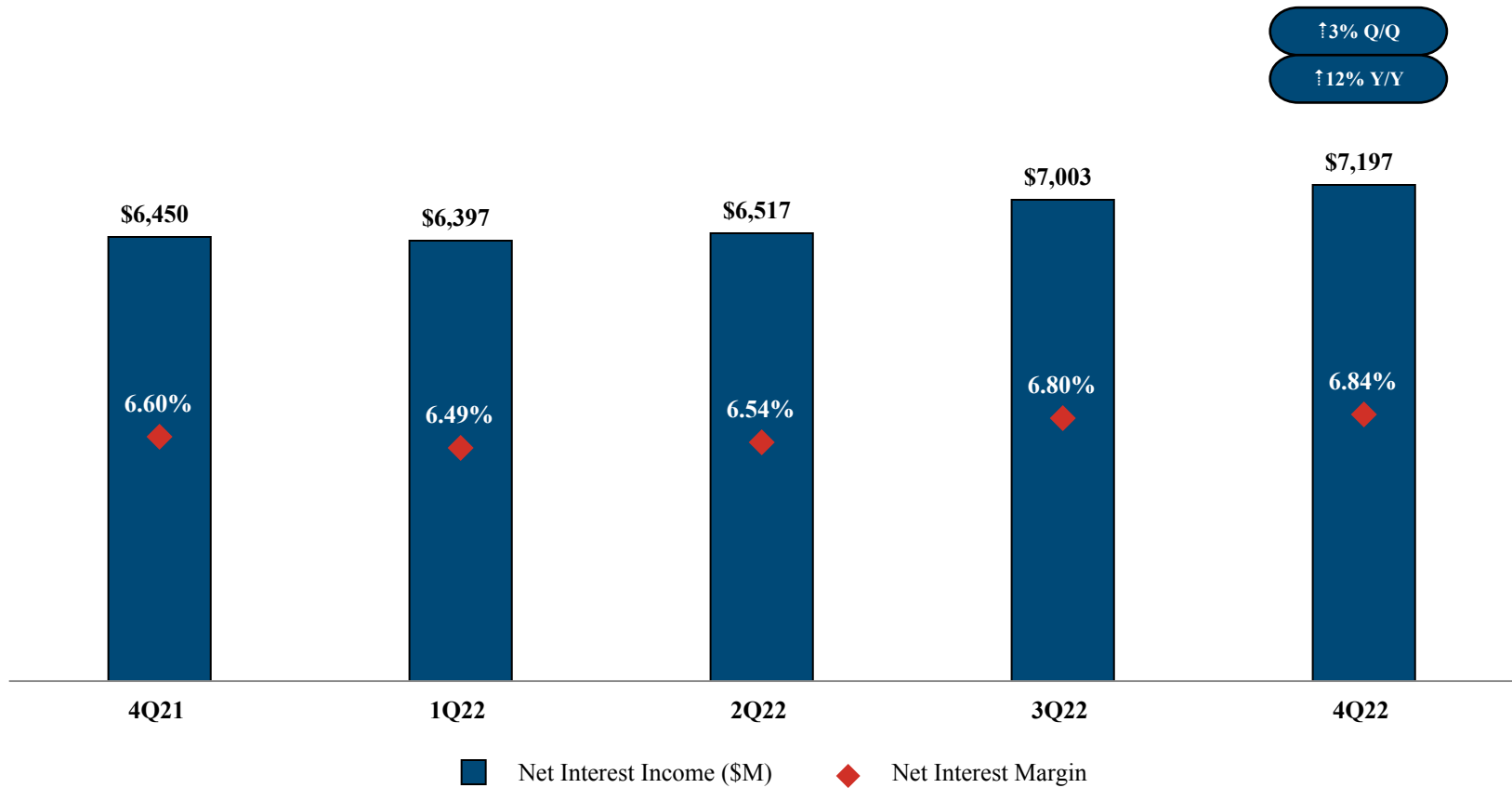
Fourth Quarter 2022 Highlights

- Average quarterly liquidity coverage ratio of 143%
- Total liquidity reserves of \$106.6 billion as of December 31, 2022
 - \$30.9 billion in cash and cash equivalents

Note: 4Q22 Liquidity Coverage Ratio is preliminary and therefore subject to change.

⁽¹⁾ Amount above represents unencumbered liquidity reserves. Securities pledged and eligible to secure FHLB borrowing capacity are presented within investment securities above.

Net Interest Income and Net Interest Margin

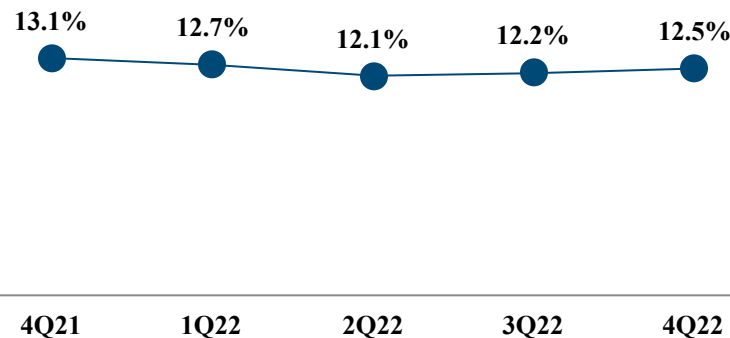


Fourth Quarter 2022 Highlights

- Net interest margin increased 4 basis points quarter-over-quarter driven by higher yields on interest-earning assets and the impact of higher Credit Card loans offset by an increase in interest expense on interest-bearing liabilities
- Net interest margin increased 24 basis points year-over-year driven by growth in our Credit Card loan portfolio relative to the movement of other interest-earning assets

<i>(Dollars in millions)</i>	Amount	Ratio
Common equity Tier 1 (CET1) as of September 30, 2022	\$ 43,665	12.2%
Q4 2022 Net income	1,232	35 bps
Share Repurchases	(150)	(4)bps
Other quarterly activities ⁽¹⁾	(16)	(1)bps
Risk Weighted Assets changes	N/A	(4)bps
CET1 as of December 31, 2022	\$ 44,731	12.5%

Common Equity Tier 1 Capital Ratio



Fourth Quarter 2022 Highlights

- CET1 capital ratio of 12.5% at December 31, 2022
- Stress Capital Buffer of 3.1% effective October 1, 2022
- Repurchased 1.5 million common shares for \$150 million in the fourth quarter of 2022; Full year 2022 repurchases of \$4.8 billion

Note: Regulatory capital metrics and capital ratios as of December 31, 2022 are preliminary and therefore subject to change.

⁽¹⁾ Primarily represents quarterly common and preferred stock dividends, as well as common stock issuances arising from share-based payment award activity.

Financial Summary—Business Segment Results



<i>(Dollars in millions)</i>	Three Months Ended December 31, 2022				
	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Net interest income (loss)	\$ 4,533	\$ 2,394	\$ 520	\$ (250)	\$ 7,197
Non-interest income (loss)	1,449	139	261	(6)	1,843
Total net revenue (loss)	5,982	2,533	781	(256)	9,040
Provision (benefit) for credit losses	1,878	477	62	(1)	2,416
Non-interest expense	3,069	1,450	555	6	5,080
Income (loss) from continuing operations before income taxes	1,035	606	164	(261)	1,544
Income tax provision (benefit)	245	144	39	(116)	312
Income (loss) from continuing operations, net of tax	\$ 790	\$ 462	\$ 125	\$ (145)	\$ 1,232

	2022 Q4 vs.				
	2022	2022	2021	2022	2021
	Q4	Q3	Q4	Q3	Q4
<i>(Dollars in millions, except as noted)</i>					
Earnings:					
Net interest income	\$ 4,533	\$ 4,313	\$ 3,865	5%	17%
Non-interest income	1,449	1,454	1,261	—	15
Total net revenue	5,982	5,767	5,126	4	17
Provision for credit losses	1,878	1,261	423	49	**
Non-interest expense	3,069	3,004	2,799	2	10
Pre-tax income	1,035	1,502	1,904	(31)	(46)
Selected performance metrics:					
Period-end loans held for investment	\$ 137,730	\$ 126,913	\$ 114,772	9%	20%
Average loans held for investment	130,652	123,357	108,588	6	20
Total net revenue margin	18.32%	18.70%	18.11%	(38)bps	21 bps
Net charge-off rate	3.27	2.25	1.42	102	185
Purchase volume	\$ 155,633	\$ 149,497	\$ 149,982	4%	4%

Fourth Quarter 2022 Highlights

- Ending loans held for investment up \$23.0 billion, or 20%, year-over-year; average loans held for investment up \$22.1 billion, or 20%, year-over-year
- Purchase volume up 4% year-over-year
- Revenue up \$856 million, or 17%, year-over-year
- Revenue margin of 18.32%
- Non-interest expense up \$270 million, or 10%, year-over-year
- Provision for credit losses up \$1.5 billion year-over-year
- Net charge-off rate of 3.27%

Domestic Card



				2022 Q4 vs.	
	2022	2022	2021	2022	2021
<i>(Dollars in millions, except as noted)</i>	Q4	Q3	Q4	Q3	Q4
Earnings:					
Net interest income	\$ 4,280	\$ 4,065	\$ 3,558	5%	20%
Non-interest income	1,392	1,383	1,190	1	17
Total net revenue	5,672	5,448	4,748	4	19
Provision for credit losses	1,800	1,167	384	54	**
Non-interest expense	2,866	2,803	2,564	2	12
Pre-tax income	1,006	1,478	1,800	(32)	(44)
Selected performance metrics:					
Period-end loans held for investment	\$ 131,581	\$ 121,279	\$ 108,723	8%	21%
Average loans held for investment	124,816	117,467	102,717	6	22
Total net revenue margin	18.18%	18.55%	18.14%	(37)bps	4 bps
Net charge-off rate	3.22	2.20	1.49	102	173
30+ day performing delinquency rate	3.43	2.97	2.22	46	121
Purchase volume	\$ 151,995	\$ 145,805	\$ 138,825	4%	9%

Fourth Quarter 2022 Highlights

- Ending loans held for investment up \$22.9 billion, or 21%, year-over-year; average loans held for investment up \$22.1 billion, or 22%, year-over-year
- Purchase volume up 9% year-over-year
- Revenue up \$924 million, or 19%, year-over-year
- Revenue margin of 18.18%
- Non-interest expense up \$302 million, or 12%, year-over-year
- Provision for credit losses up \$1.4 billion year-over-year
- Net charge-off rate of 3.22%

** Not meaningful.

(Dollars in millions, except as noted)

	2022		2021	2022 Q4 vs.	
	2022 Q4	2022 Q3		2022 Q3	2021 Q4
Earnings:					
Net interest income	\$ 2,394	\$ 2,311	\$ 2,158	4%	11%
Non-interest income	139	129	142	8	(2)
Total net revenue	2,533	2,440	2,300	4	10
Provision for credit losses	477	285	2	67	**
Non-interest expense	1,450	1,340	1,285	8	13
Pre-tax income	606	815	1,013	(26)	(40)
Selected performance metrics:					
Period-end loans held for investment	\$ 79,925	\$ 81,199	\$ 77,646	(2)%	3%
Average loans held for investment	80,700	81,339	77,444	(1)	4
Auto loan originations	6,635	8,289	9,721	(20)%	(32)%
Period-end deposits	270,592	256,661	256,407	5	6
Average deposits	262,844	255,843	253,372	3	4
Average deposits interest rate	1.42%	0.79%	0.30%	63 bps	112 bps
Net charge-off rate	1.73	1.10	0.75	63	98

Fourth Quarter 2022 Highlights

- Ending loans held for investment up \$2.3 billion, or 3%, year-over-year; average loans held for investment up \$3.3 billion, or 4%, year-over-year
- Ending deposits up \$14.2 billion, or 6%, year-over-year
- Auto loan originations down \$3.1 billion, or 32%, year-over-year
- Revenue up \$233 million, or 10%, year-over-year
- Non-interest expense up \$165 million, or 13%, year-over-year
- Provision for credit losses up \$475 million year-over-year
- Net charge-off rate of 1.73%

	2022		2021	2022 Q4 vs.	
	2022	2022		2022	2021
<i>(Dollars in millions, except as noted)</i>	Q4	Q3	Q4	Q3	Q4
Earnings:					
Net interest income	\$ 520	\$ 699	\$ 595	(26)%	(13)%
Non-interest income	261	319	345	(18)	(24)
Total net revenue	781	1,018	940	(23)	(17)
Provision (benefit) for credit losses	62	123	(44)	(50)	**
Non-interest expense	555	542	520	2	7
Pre-tax income	164	353	464	(54)	(65)
Selected performance metrics:					
Period-end loans held for investment	\$ 94,676	\$ 95,831	\$ 84,922	(1)%	11%
Average loans held for investment	95,529	95,490	81,127	—	18
Period-end deposits	40,808	41,058	44,809	(1)	(9)
Average deposits	42,779	39,799	44,206	7	(3)
Average deposits interest rate	1.80%	0.83%	0.12%	97 bps	168 bps
Net charge-off rate	0.06	0.05	(0.02)	1	8
Risk category as a percentage of period-end loans held for investment:⁽¹⁾					
Criticized performing	6.71%	5.97%	6.13%	74 bps	58 bps
Criticized nonperforming	0.74	0.57	0.82	17	(8)

Fourth Quarter 2022 Highlights

- Ending loans held for investment up \$9.8 billion, or 11%, year-over-year; average loans held for investment up \$14.4 billion, or 18%, year-over-year
- Ending deposits down \$4.0 billion, or 9%, year-over-year; average deposits down \$1.4 billion, or 3%, year-over-year
- Revenue down \$159 million, or 17%, year-over-year
 - Net interest income declined primarily due to an internal funds transfer pricing impact that was offset by an equivalent increase in the Other category, and was therefore neutral to the company.
- Non-interest expense up \$35 million, or 7%, year-over-year
- Provision for credit losses up \$106 million year-over-year
- Net charge-off rate of 0.06%
- Criticized performing loan rate of 6.71% and criticized nonperforming loan rate of 0.74%

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

** Not meaningful.

Appendix

Reconciliation of Non-GAAP Measures



	2022	2022	2022	2022	2021	Year Ended December 31,	
<i>(Dollars in millions, except per share data and as noted)</i>	Q4	Q3	Q2	Q1	Q4	2022	2021
Adjusted diluted earnings per share ("EPS"):							
Net income available to common stockholders (GAAP)	\$ 1,161	\$ 1,616	\$ 1,949	\$ 2,318	\$ 2,296	\$ 7,044	\$ 11,965
Insurance recoveries and legal reserve activity	(177)	—	—	—	—	(177)	100
Restructuring Charges	72	—	—	—	—	72	—
Adjusted net income available to common stockholders before income tax impacts (non-GAAP)	1,056	1,616	1,949	2,318	2,296	6,939	12,065
Income tax impacts	25	—	—	—	—	25	(24)
Adjusted net income available to common stockholders (non-GAAP)	\$ 1,081	\$ 1,616	\$ 1,949	\$ 2,318	\$ 2,296	\$ 6,964	\$ 12,041
Diluted weighted-average common shares outstanding (in millions) (GAAP)	383.7	384.6	392.6	412.2	424.3	393.2	444.2
Diluted EPS (GAAP)	\$ 3.03	\$ 4.20	\$ 4.96	\$ 5.62	\$ 5.41	\$ 17.91	\$ 26.94
Impact of adjustments noted above	(0.21)	—	—	—	—	(0.20)	0.17
Adjusted diluted EPS (non-GAAP)	\$ 2.82	\$ 4.20	\$ 4.96	\$ 5.62	\$ 5.41	\$ 17.71	\$ 27.11
Adjusted efficiency ratio:							
Non-interest expense (GAAP)	\$ 5,080	\$ 4,949	\$ 4,583	\$ 4,551	\$ 4,678	\$ 19,163	\$ 16,570
Insurance recoveries and legal reserve activity	177	—	—	—	—	177	(100)
Restructuring Charges	(72)	—	—	—	—	(72)	—
Adjusted non-interest expense (non-GAAP)	\$ 5,185	\$ 4,949	\$ 4,583	\$ 4,551	\$ 4,678	\$ 19,268	\$ 16,470
Total net revenue (GAAP)	\$ 9,040	\$ 8,805	\$ 8,232	\$ 8,173	\$ 8,118	\$ 34,250	\$ 30,435
Efficiency ratio (GAAP)	56.19%	56.21%	55.67%	55.68%	57.63%	55.95%	54.44%
Impact of adjustments noted above	117 bps	—	—	—	—	31 bps	(32)bps
Adjusted efficiency ratio (non-GAAP)	57.36%	56.21%	55.67%	55.68%	57.63%	56.26%	54.12%
Adjusted operating efficiency ratio:							
Operating expense (GAAP)	\$ 3,962	\$ 3,971	\$ 3,580	\$ 3,633	\$ 3,679	\$ 15,146	\$ 13,699
Legal reserve activity, including insurance recoveries	177	—	—	—	—	177	(100)
Restructuring Charges	(72)	—	—	—	—	(72)	—
Adjusted operating expense (non-GAAP)	\$ 4,067	\$ 3,971	\$ 3,580	\$ 3,633	\$ 3,679	\$ 15,251	\$ 13,599
Total net revenue (GAAP)	\$ 9,040	\$ 8,805	\$ 8,232	\$ 8,173	\$ 8,118	\$ 34,250	\$ 30,435
Operating efficiency ratio (GAAP)	43.83%	45.10%	43.49%	44.45%	45.32%	44.22%	45.01%
Impact of adjustments noted above	116 bps	—	—	—	—	31 bps	(33)bps
Adjusted operating efficiency ratio (non-GAAP)	44.99%	45.10%	43.49%	44.45%	45.32%	44.53%	44.68%