



Third Quarter 2022 Results

October 27, 2022

Forward-Looking Statements

This presentation and related communications should be read in conjunction with the financial statements, notes, and other information contained in Capital One's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. Please note that the following materials containing information regarding Capital One's financial performance is preliminary and based on Capital One's data available at the time of the earnings presentation. It speaks only as of the particular date or dates indicated in these materials. Capital One does not undertake any obligation to update or revise any of the information contained herein whether as a result of new information, future events or otherwise.

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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 Financial Corporation, 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. A reconciliation of any non-GAAP financial measures included in this presentation can be found in Capital One's Current Report on Form 8-K filed October 27, 2022, available on its website at www.capitalone.com under "Investors."

Q3 2022 Company Highlights



- Net income of \$1.7 billion, or \$4.20 per diluted common share
- Pre-provision earnings increased 6% to \$3.9 billion⁽¹⁾
- Provision for credit losses of \$1.7 billion
- Efficiency ratio of 56.21%
- Operating efficiency ratio of 45.10%
- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 12.2% at September 30, 2022
- Period-end loans held for investment increased \$7.6 billion to \$303.9 billion
- Average loans held for investment increased \$14.1 billion to \$300.2 billion
- Period-end total deposits increased \$9.3 billion to \$317.2 billion
- Average total deposits increased \$6.0 billion to \$311.9 billion

Note: All comparisons are for the third quarter of 2022 compared with the second quarter of 2022 unless otherwise noted. Regulatory capital metrics and capital ratios as of September 30, 2022 are preliminary and therefore subject to change.

⁽¹⁾ 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 June 30, 2022	\$ 8,166	\$ 2,047	\$ 1,278	\$ 11,491
Charge-offs	(1,047)	(410)	(13)	(1,470)
Recoveries	352	186	1	539
Net charge-offs	(695)	(224)	(12)	(931)
Provision for credit losses ⁽¹⁾	1,261	285	119	1,665
Allowance build for credit losses ⁽¹⁾	566	61	107	734
Other changes ⁽²⁾	(16)	—	—	(16)
Balance as of September 30, 2022	<u>\$ 8,716</u>	<u>\$ 2,108</u>	<u>\$ 1,385</u>	<u>\$ 12,209</u>
Allowance coverage ratio as of September 30, 2022	<u>6.87%</u>	<u>2.60%</u>	<u>1.45%</u>	<u>4.02%</u>

Third Quarter 2022 Highlights

- Allowance build of \$734 million primarily driven by loan growth and a modestly worse economic outlook.
- Allowance coverage ratio of 4.02% at September 30, 2022, compared to 3.88% at June 30, 2022.

⁽¹⁾ Does not include \$4 million of provision related to unfunded lending commitments that is recorded in other liabilities in Commercial Banking.

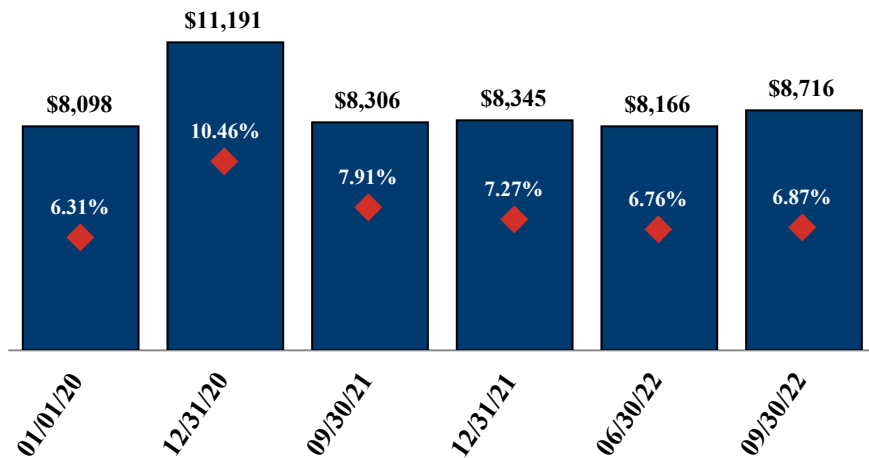
⁽²⁾ Primarily represents foreign currency translation adjustments and initial allowance builds for purchase credit-deteriorated loans.

Allowance Coverage Ratios by Segment

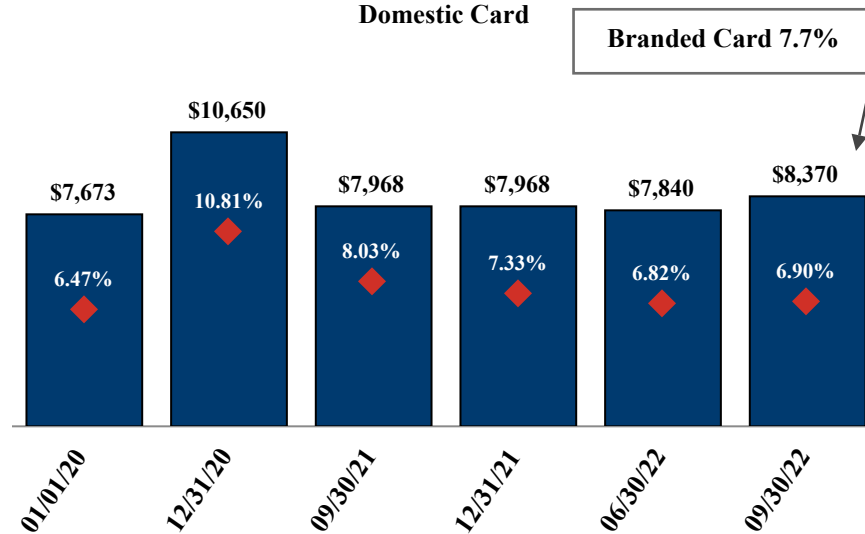


- Allowance for credit losses (\$M)
- ◆ Allowance Coverage Ratio

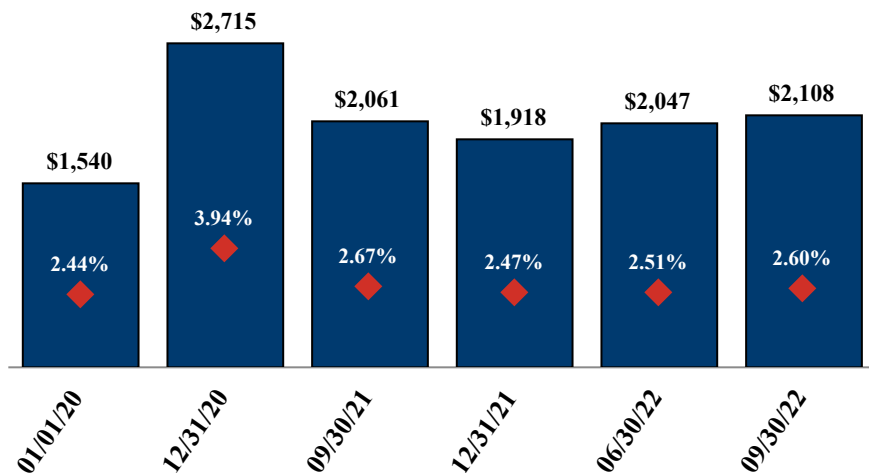
Credit Card



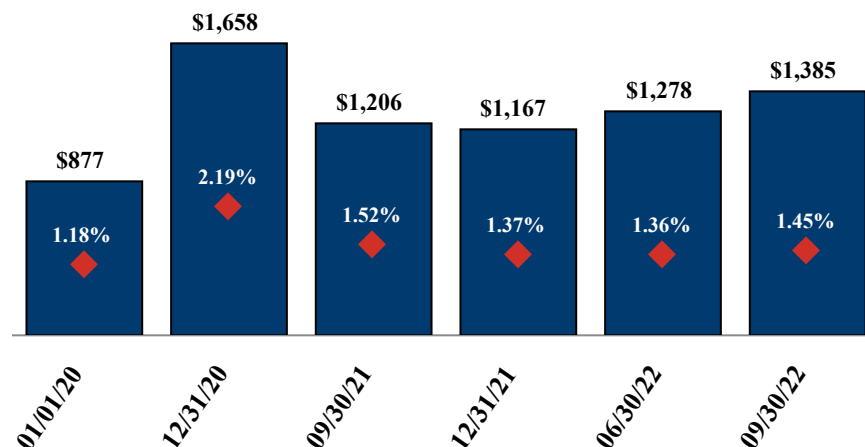
Domestic Card



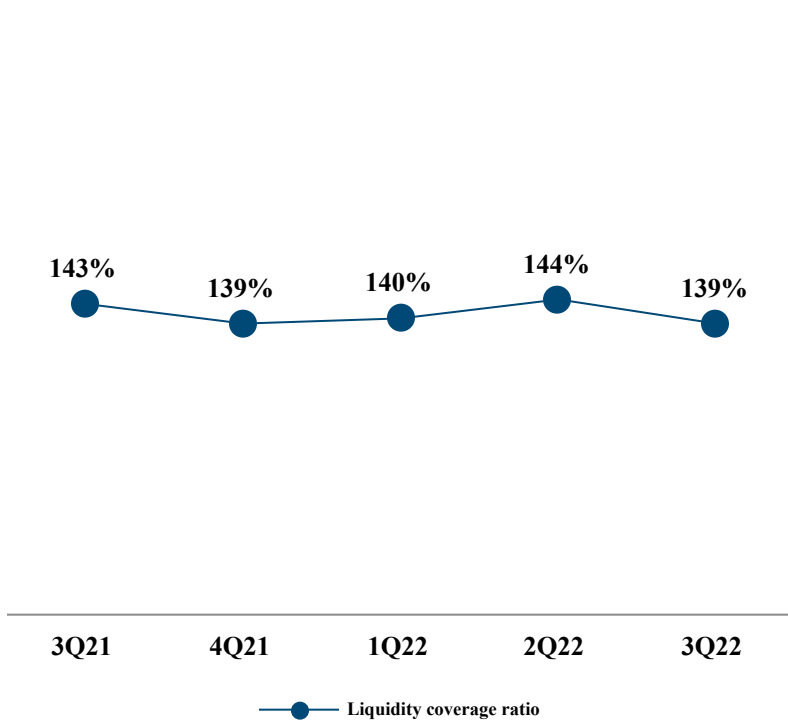
Consumer Banking



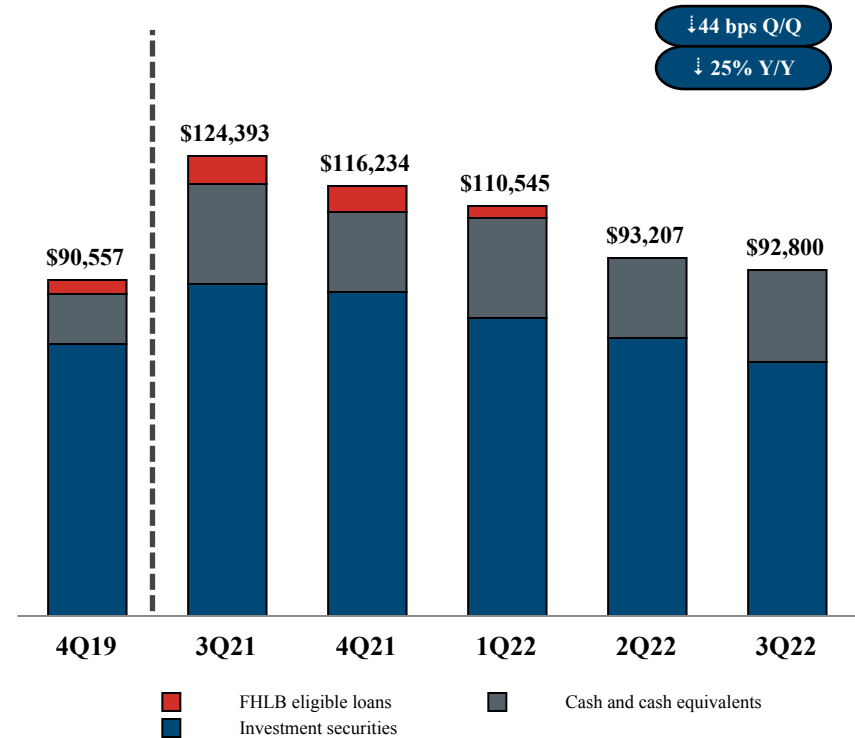
Commercial Banking



Liquidity Coverage Ratio



Total Liquidity Reserves (\$M)⁽¹⁾



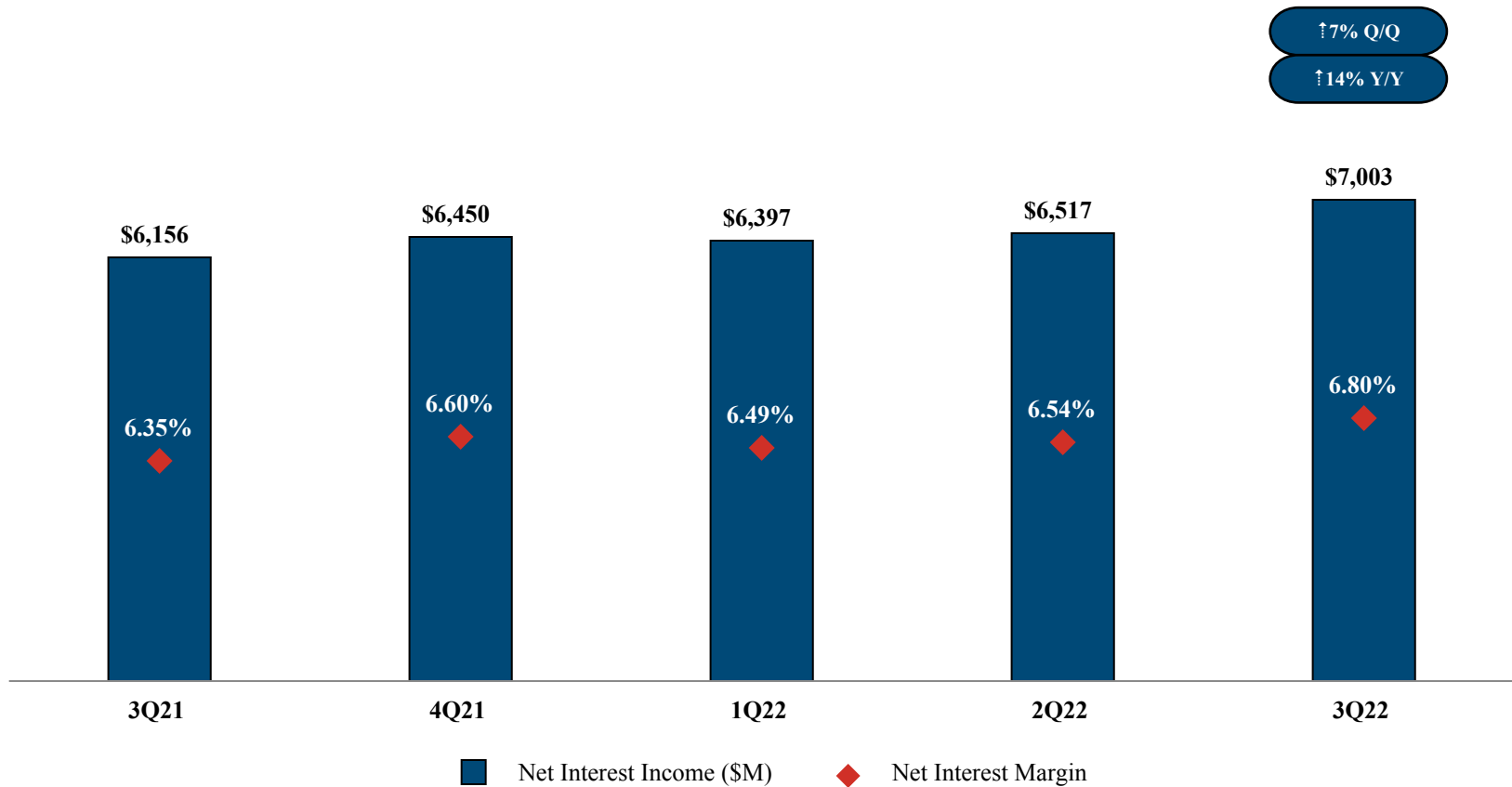
Third Quarter 2022 Highlights

- Average quarterly liquidity coverage ratio of 139%
- Total liquidity reserves of \$92.8 billion as of September 30, 2022
 - \$24.9 billion in cash and cash equivalents

Note: 3Q22 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

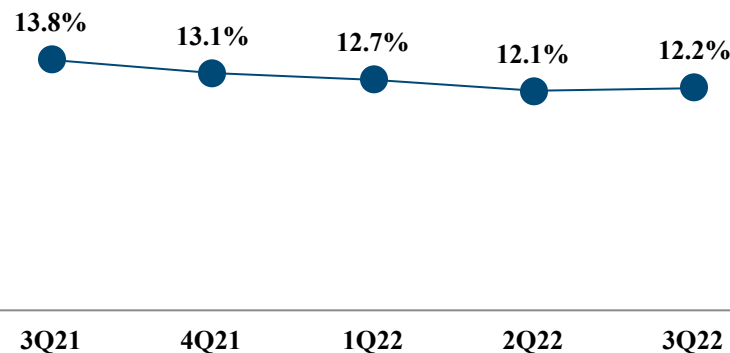


Third Quarter 2022 Highlights

- Net interest margin increased 26 basis points quarter-over-quarter primarily driven by higher yields on average interest-earning assets partially offset by higher rates paid on interest-bearing liabilities.
- Net interest margin increased 45 basis points year-over-year primarily driven by higher yields on average interest-earning assets as well as lower securities and cash balances partially offset by higher rates paid on interest-bearing liabilities.

<i>(Dollars in millions)</i>	Amount	Ratio
Common equity Tier 1 (CET1) as of June 30, 2022	\$ 42,563	12.1%
Q3 2022 Net income	1,694	48 bps
Share Repurchases	(313)	(9)bps
Other quarterly activities ⁽¹⁾	(279)	(8)bps
Risk Weighted Assets changes	N/A	(17)bps
CET1 as of September 30, 2022	\$ 43,665	12.2%

Common Equity Tier 1 Capital Ratio



Third Quarter 2022 Highlights

- CET1 capital ratio of 12.2% at September 30, 2022
- Stress Capital Buffer of 3.1% effective October 1, 2022
- Repurchased 2.9 million common shares for \$313 million in the third quarter of 2022; YTD repurchases of \$4.7 billion

Note: Regulatory capital metrics and capital ratios as of September 30, 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 September 30, 2022				
	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Net interest income (loss)	\$ 4,313	\$ 2,311	\$ 699	\$ (320)	\$ 7,003
Non-interest income (loss)	1,454	129	319	(100)	1,802
Total net revenue (loss)	5,767	2,440	1,018	(420)	8,805
Provision for credit losses	1,261	285	123	—	1,669
Non-interest expense	3,004	1,340	542	63	4,949
Income (loss) from continuing operations before income taxes	1,502	815	353	(483)	2,187
Income tax provision (benefit)	356	193	83	(139)	493
Income (loss) from continuing operations, net of tax	\$ 1,146	\$ 622	\$ 270	\$ (344)	\$ 1,694

(Dollars in millions, except as noted)

				2022 Q3 vs.	
	2022	2022	2021	2022	2021
	Q3	Q2	Q3	Q2	Q3
Earnings:					
Net interest income	\$ 4,313	\$ 3,899	\$ 3,620	11%	19%
Non-interest income	1,454	1,410	1,263	3	15
Total net revenue	5,767	5,309	4,883	9	18
Provision (benefit) for credit losses	1,261	581	(198)	117	**
Non-interest expense	3,004	2,771	2,424	8	24
Pre-tax income	1,502	1,957	2,657	(23)	(43)
Selected performance metrics:					
Period-end loans held for investment	\$ 126,913	\$ 120,880	\$ 105,030	5%	21%
Average loans held for investment	123,357	115,835	102,046	6	21
Total net revenue margin	18.70%	18.33%	18.33%	37 bps	37 bps
Net charge-off rate	2.25	2.34	1.43	(9)	82
Purchase volume	\$ 149,497	\$ 148,491	\$ 136,614	1%	9%

Third Quarter 2022 Highlights

- Ending loans held for investment up \$21.9 billion, or 21%, year-over-year; average loans held for investment up \$21.3 billion, or 21%, year-over-year
- Purchase volume up 9% year-over-year
- Revenue up \$884 million, or 18%, year-over-year
- Revenue margin of 18.70%
- Non-interest expense up \$580 million, or 24%, year-over-year
- Provision for credit losses up \$1.5 billion year-over-year
- Net charge-off rate of 2.25%

Domestic Card



	2022 Q3 vs.				
	2022	2022	2021	2022	2021
	Q3	Q2	Q3	Q2	Q3
<i>(Dollars in millions, except as noted)</i>					
Earnings:					
Net interest income	\$ 4,065	\$ 3,651	\$ 3,319	11%	22%
Non-interest income	1,383	1,340	1,200	3	15
Total net revenue	5,448	4,991	4,519	9	21
Provision (benefit) for credit losses	1,167	494	(200)	136	**
Non-interest expense	2,803	2,594	2,191	8	28
Pre-tax income	1,478	1,903	2,528	(22)	(42)
Selected performance metrics:					
Period-end loans held for investment	\$ 121,279	\$ 115,004	\$ 99,258	5%	22%
Average loans held for investment	117,467	109,962	96,309	7	22
Total net revenue margin	18.55%	18.16%	18.40%	39 bps	15 bps
Net charge-off rate	2.20	2.26	1.36	(6)	84
30+ day performing delinquency rate	2.97	2.35	1.93	62	104
Purchase volume	\$ 145,805	\$ 144,668	\$ 126,057	1%	16%

Third Quarter 2022 Highlights

- Ending loans held for investment up \$22.0 billion, or 22%, year-over-year; average loans held for investment up \$21.2 billion, or 22%, year-over-year
- Purchase volume up 16% year-over-year
- Revenue up \$929 million, or 21%, year-over-year
- Revenue margin of 18.55%
- Non-interest expense up \$612 million, or 28%, year-over-year
- Provision for credit losses up \$1.4 billion year-over-year
- Net charge-off rate of 2.20%

**

Not meaningful.

(Dollars in millions, except as noted)

	2022		2021	2022 Q3 vs.	
	Q3	Q2	Q3	Q2	Q3
Earnings:					
Net interest income	\$ 2,311	\$ 2,147	\$ 2,159	8%	7%
Non-interest income	129	96	127	34	2
Total net revenue	2,440	2,243	2,286	9	7
Provision (benefit) for credit losses	285	281	(91)	1	**
Non-interest expense	1,340	1,286	1,186	4	13
Pre-tax income	815	676	1,191	21	(32)
Selected performance metrics:					
Period-end loans held for investment	\$ 81,199	\$ 81,531	\$ 77,112	—	5%
Average loans held for investment	81,339	80,981	75,996	—	7
Auto loan originations	8,289	10,328	11,570	(20%)	(28)
Period-end deposits	256,661	255,904	252,387	—	2
Average deposits	255,843	254,336	251,307	1	2
Average deposits interest rate	0.79%	0.38%	0.30%	41 bps	49 bps
Net charge-off rate	1.10	0.67	0.27	43	83

Third Quarter 2022 Highlights

- Ending loans held for investment up \$4.1 billion, or 5%, year-over-year; average loans held for investment up \$5.3 billion, or 7%, year-over-year
- Ending deposits up \$4.3 billion, or 2%, year-over-year
- Auto loan originations down \$3.3 billion, or 28%, year-over-year
- Revenue up \$154 million, or 7%, year-over-year
- Non-interest expense up \$154 million, or 13%, year-over-year
- Provision for credit losses up \$376 million year-over-year
- Net charge-off rate of 1.10%

	2022		2021	2022 Q3 vs.	
	Q3	Q2		Q2	Q3
<i>(Dollars in millions, except as noted)</i>					
Earnings:					
Net interest income	\$ 699	\$ 635	\$ 578	10%	21%
Non-interest income	319	272	306	17	4
Total net revenue	1,018	907	884	12	15
Provision (benefit) for credit losses	123	222	(53)	(45)	**
Non-interest expense	542	485	459	12	18
Pre-tax income	353	200	478	77	(26)
Selected performance metrics:					
Period-end loans held for investment	\$ 95,831	\$ 93,973	\$ 79,248	2%	21%
Average loans held for investment	95,490	89,294	75,059	7	27
Period-end deposits	41,058	38,844	43,347	6	(5)
Average deposits	39,799	40,536	42,729	(2)	(7)
Average deposits interest rate	0.83%	0.19%	0.15%	64 bps	68 bps
Net charge-off rate	0.05	0.14	0.05	(9)	—
Risk category as a percentage of period-end loans held for investment:⁽¹⁾					
Criticized performing	5.97%	5.29%	6.85%	68 bps	(88)bps
Criticized nonperforming	0.57	0.70	0.76	(13)	(19)

Third Quarter 2022 Highlights

- Ending loans held for investment up \$16.6 billion, or 21%, year-over-year; average loans held for investment up \$20.4 billion, or 27%, year-over-year
- Ending deposits down \$2.3 billion, or 5%, year-over-year; average deposits down \$2.9 billion, or 7%, year-over-year
- Revenue up \$134 million, or 15%, year-over-year
- Non-interest expense up \$83 million, or 18%, year-over-year
- Provision for credit losses up \$176 million year-over-year
- Net charge-off rate of 0.05%
- Criticized performing loan rate of 5.97% and criticized nonperforming loan rate of 0.57%

(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	2021	2021	Nine Months Ended September 30,	
	Q3	Q2	Q1	Q4	Q3	2022	2021
<i>(Dollars in millions, except per share data and as noted)</i>							
Adjusted diluted earnings per share (“EPS”):							
Net income available to common stockholders (GAAP)	\$ 1,616	\$ 1,949	\$ 2,318	\$ 2,296	\$ 2,987	\$ 5,883	\$ 9,669
Legal reserve activity, including insurance recoveries	—	—	—	—	45	—	100
Adjusted net income available to common stockholders before income tax impacts (non-GAAP)	1,616	1,949	2,318	2,296	3,032	5,883	9,769
Income tax impacts	—	—	—	—	(11)	—	(24)
Adjusted net income available to common stockholders (non-GAAP)	\$ 1,616	\$ 1,949	\$ 2,318	\$ 2,296	\$ 3,021	\$ 5,883	\$ 9,745
Diluted weighted-average common shares outstanding (in millions) (GAAP)	384.6	392.6	412.2	424.3	440.5	396.4	450.9
Diluted EPS (GAAP)	\$ 4.20	\$ 4.96	\$ 5.62	\$ 5.41	\$ 6.78	\$ 14.84	\$ 21.44
Impact of adjustments noted above	—	—	—	—	0.08	—	0.17
Adjusted diluted EPS (non-GAAP)	\$ 4.20	\$ 4.96	\$ 5.62	\$ 5.41	\$ 6.86	\$ 14.84	\$ 21.61
Adjusted efficiency ratio:							
Non-interest expense (GAAP)	\$ 4,949	\$ 4,583	\$ 4,551	\$ 4,678	\$ 4,186	\$ 14,083	\$ 11,892
Legal reserve activity, including insurance recoveries	—	—	—	—	(45)	—	(100)
Adjusted non-interest expense (non-GAAP)	\$ 4,949	\$ 4,583	\$ 4,551	\$ 4,678	\$ 4,141	\$ 14,083	\$ 11,792
Total net revenue (GAAP)	\$ 8,805	\$ 8,232	\$ 8,173	\$ 8,118	\$ 7,830	\$ 25,210	\$ 22,317
Efficiency ratio (GAAP)	56.21%	55.67%	55.68%	57.63%	53.46%	55.86%	53.29%
Impact of adjustments noted above	—	—	—	—	(57)bps	—	(45)bps
Adjusted efficiency ratio (non-GAAP)	56.21%	55.67%	55.68%	57.63%	52.89%	55.86%	52.84%
Adjusted operating efficiency ratio:							
Operating expense (GAAP)	\$ 3,971	\$ 3,580	\$ 3,633	\$ 3,679	\$ 3,435	\$ 11,184	\$ 10,020
Legal reserve activity, including insurance recoveries	—	—	—	—	(45)	—	(100)
Adjusted operating expense (non-GAAP)	\$ 3,971	\$ 3,580	\$ 3,633	\$ 3,679	\$ 3,390	\$ 11,184	\$ 9,920
Total net revenue (GAAP)	\$ 8,805	\$ 8,232	\$ 8,173	\$ 8,118	\$ 7,830	\$ 25,210	\$ 22,317
Operating efficiency ratio (GAAP)	45.10%	43.49%	44.45%	45.32%	43.87%	44.36%	44.90%
Impact of adjustments noted above	—	—	—	—	(57)bps	—	(45)bps
Adjusted operating efficiency ratio (non-GAAP)	45.10%	43.49%	44.45%	45.32%	43.30%	44.36%	44.45%