



Fourth Quarter 2021 Results

January 25, 2022

Forward-Looking Statements

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Certain statements in this presentation and other oral and written statements made by Capital One from time to time are forward-looking statements, including those that discuss, among other things: strategies, goals, outlook or other non-historical matters; projections, revenues, income, returns, expenses, capital measures, capital allocation plans, accruals for claims in litigation and for other claims against Capital One, earnings per share, efficiency ratio, operating efficiency ratio or other financial measures for Capital One; future financial and operating results; Capital One's 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 Capital One's actual results to differ materially from those described in such forward-looking statements, including, among other things: the impact of the COVID-19 pandemic on Capital One's business, financial condition and results of operations, may persist for an extended period or worsen, including labor shortages and disruption of global supply chains, the increased estimation as a result of the pandemic on Capital One's estimates of lifetime expected credit losses in Capital One's loan portfolios required in computing Capital One's allowance for credit losses; general economic and business conditions in Capital One's local markets, including conditions affecting employment levels, interest rates, tariffs, collateral values, consumer income, creditworthiness and confidence, spending and savings that may affect consumer bankruptcies, defaults, charge-offs and deposit activity; an increase or decrease in credit losses, or increased delinquencies, 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 new and existing laws, regulations and regulatory expectations including the implementation of a regulatory reform agenda; limitations on Capital One's ability to receive dividends from its subsidiaries; Capital One's ability to manage adequate capital or liquidity levels, which could have a negative impact on Capital One's financial results and Capital One's ability to return capital to its stockholders; the extensive use, reliability, disruption, and accuracy of the models and data Capital One relies on; increased costs, reductions in revenue, reputational damage, legal liability and business disruptions that can result from data protection or privacy incidents or a cyber-attack or other similar incidents, including one that results in the theft, loss or misuse of information; developments, changes or actions relating to any litigation, governmental investigation or regulatory enforcement action or matter involving Capital One; the amount and rate of deposit growth and changes in deposit costs; Capital One's ability to execute on its strategic and operational plans; Capital One's response to competitive pressures; Capital One's business, financial condition and results of operations may be adversely affected by merchants' increasing focus on the fees charged by credit and debit card networks and by legislation and regulation impacting such fees; Capital One's success in integrating acquired businesses and loan portfolios, and its ability to realize anticipated benefits from announced transactions and strategic partnerships; Capital One's ability to maintain a compliance, operational, technology and organizational infrastructure suitable for the nature of its business; the success of Capital One's marketing efforts in attracting and retaining customers; Capital One's risk management strategies; changes in the reputation of, or expectations regarding, the financial services industry or Capital One with respect to practices, products or financial condition; increases or decreases in interest rates and uncertainty with respect to the interest rate environment, including the possibility of a prolonged low-interest rate environment or of negative interest rates; a transition away from the London Interbank Offered Rate; Capital One's ability to attract, retain and motivate skilled employees; climate change manifesting as physical or transition risks; Capital One's assumptions or estimates in its financial statements; the soundness of other financial institutions and other third parties; and other risk factors identified from time to time in Capital One's public disclosures, including in the reports that it files with the U.S. Securities and Exchange Commission. Capital One expects that the effects of the COVID-19 pandemic will heighten the risks associated with many of these factors.

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. 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 January 25, 2022, available on its website at www.capitalone.com under "Investors."

Q4 2021 Company Highlights

- Net income of \$2.4 billion, or \$5.41 per diluted common share for the fourth quarter of 2021; net income of \$12.4 billion, or \$26.94 per diluted common share for the full year 2021
- Pre-provision earnings decreased 6% to \$3.4 billion for the fourth quarter of 2021 and increased 3% to \$13.9 billion for the full year 2021⁽¹⁾
- Provision for credit losses of \$381 million for the fourth quarter of 2021 and \$(1.9) billion for full year 2021
- Efficiency ratio of 57.63% for the fourth quarter of 2021 and 54.44% for full year 2021
- Operating efficiency ratio of 45.32% for the fourth quarter of 2021 and 45.01% for full year 2021
- The quarter included the following notable item:

<i>(Dollars in millions, except per share data)</i>	Pre-Tax Impact	Diluted EPS Impact
Legacy rewards program upgrade	\$ (92)	\$ (0.16)

- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 13.1% at December 31, 2021
- Period-end loans outstanding increased \$15.5 billion to \$283.2 billion
 - Period-end loans held for investment increased \$16.0 billion to \$277.3 billion
- Average loans outstanding increased \$12.6 billion to \$272.8 billion
 - Average loans held for investment increased \$14.1 billion to \$267.2 billion
- Period-end total deposits increased \$5.0 billion to \$311.0 billion
- Average total deposits increased \$2.2 billion to \$307.3 billion

Note: All comparisons are for the fourth quarter of 2021 compared with the third quarter of 2021 unless otherwise noted. Regulatory capital metrics and capital ratios as of December 31, 2021 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 September 30, 2021	\$ 8,306	\$ 2,061	\$ 1,206	\$ 11,573
Charge-offs	(786)	(345)	(1)	(1,132)
Recoveries	400	200	5	605
Net charge-offs	(386)	(145)	4	(527)
Provision (benefit) for credit losses ⁽¹⁾	423	2	(43)	382
Allowance build (release) for credit losses ⁽¹⁾	37	(143)	(39)	(145)
Other changes ⁽²⁾	2	—	—	2
Balance as of December 31, 2021	<u>\$ 8,345</u>	<u>\$ 1,918</u>	<u>\$ 1,167</u>	<u>\$ 11,430</u>
Allowance coverage ratio as of December 31, 2021	<u>7.27%</u>	<u>2.47%</u>	<u>1.37%</u>	<u>4.12%</u>

Fourth Quarter 2021 Highlights

- Allowance release of \$145 million primarily driven by continued strength in auto values
- Allowance coverage ratio of 4.12% at December 31, 2021, compared to 4.43% at September 30, 2021

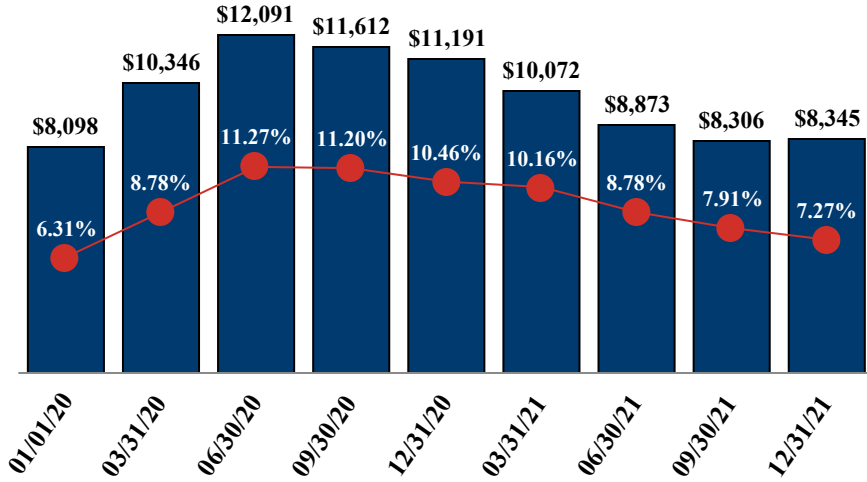
⁽¹⁾ Does not include \$(1) million of provision (benefit) related to unfunded lending commitments that is recorded in other liabilities in Commercial Banking.

⁽²⁾ Primarily represents foreign currency translation adjustments.

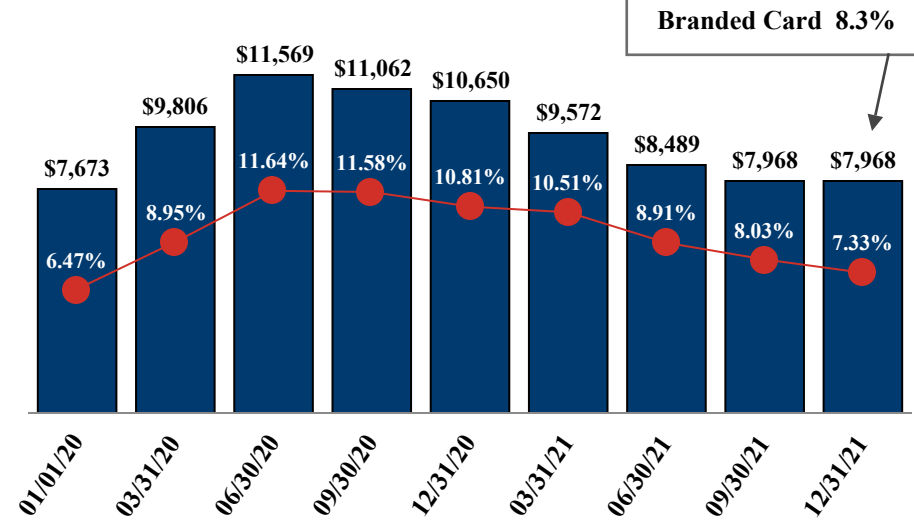
Allowance Coverage Ratios by Segment

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

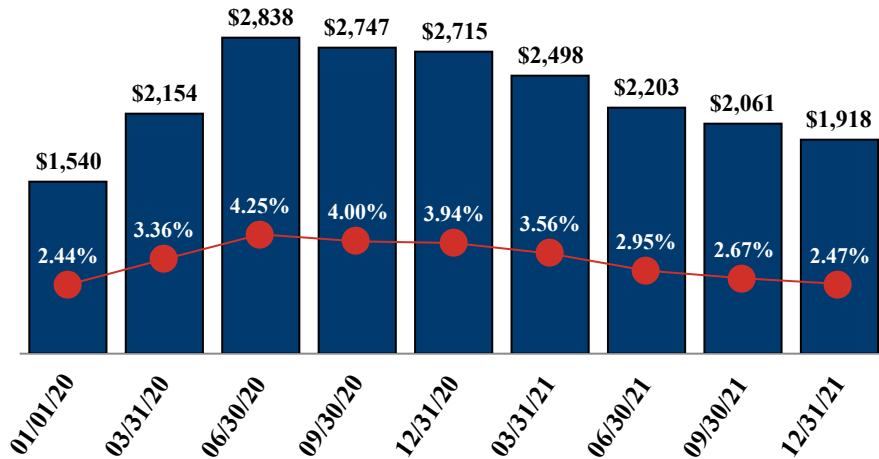
Credit Card



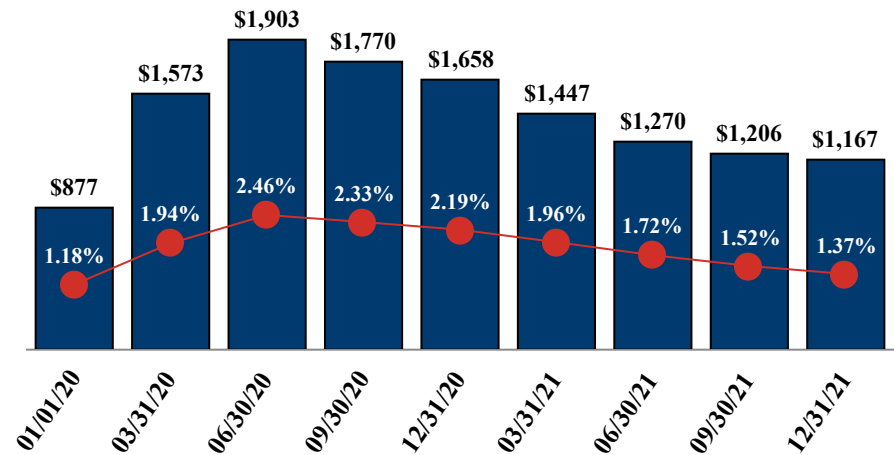
Domestic Card



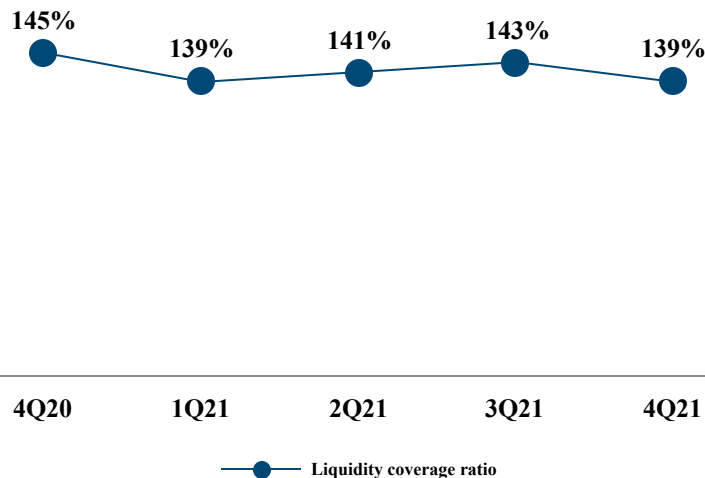
Consumer Banking



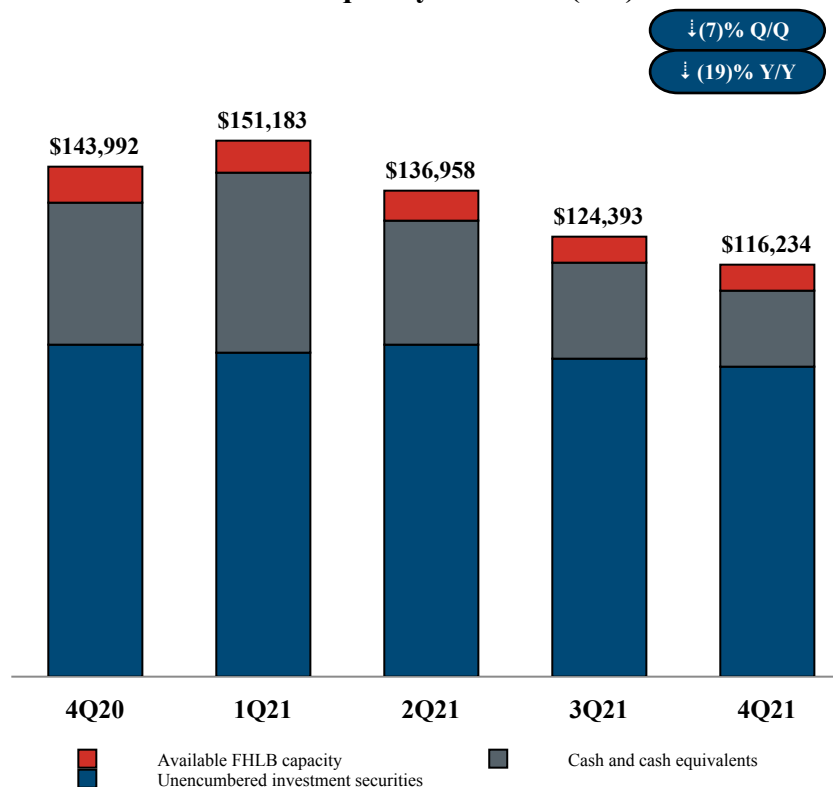
Commercial Banking



Liquidity Coverage Ratio



Total Liquidity Reserves (\$M)

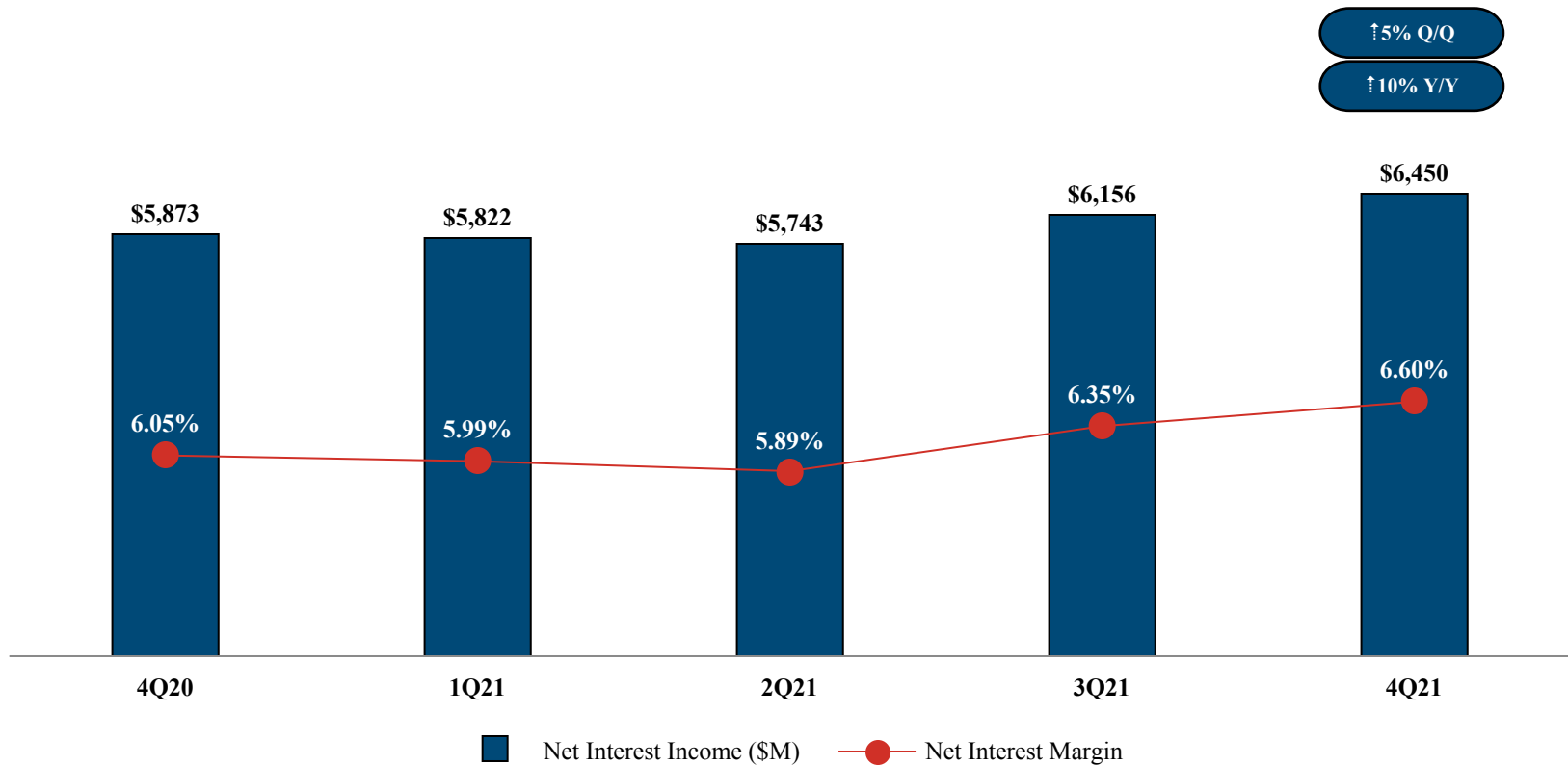


Fourth Quarter 2021 Highlights

- Average quarterly liquidity coverage ratio of 139%
- Total liquidity reserves of \$116.2 billion as of December 31, 2021
 - \$21.7 billion in cash and cash equivalents

Note: 4Q21 Liquidity Coverage Ratio is preliminary and therefore subject to change.

Net Interest Income and Net Interest Margin

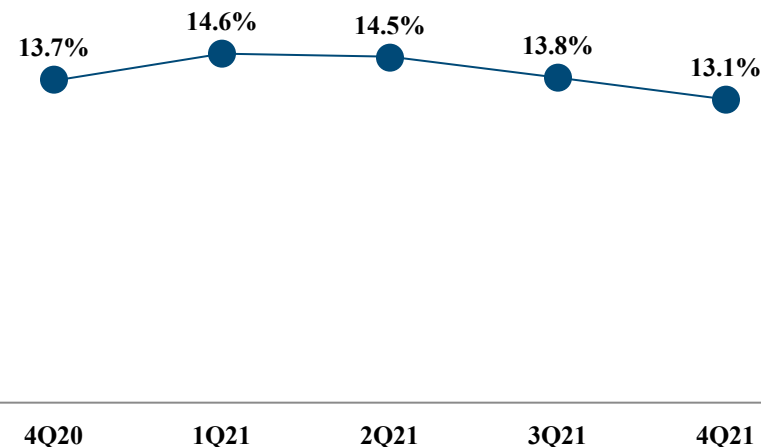


Fourth Quarter 2021 Highlights

- Net interest margin increased 25 basis points quarter-over-quarter primarily driven by higher average card balances and lower average cash and securities balances.
- Net interest margin increased 55 basis points year-over-year primarily driven by higher yields and average card balances, lower average cash balances, and lower rates paid on interest-bearing liabilities.

Common Equity Tier 1 Capital Ratio

	Amount	Ratio
<i>(Dollars in millions)</i>		
Common equity Tier 1 (CET1) as of September 30, 2021	\$ 44,138	13.8%
Q4 2021 Net income	2,425	70 bps
CECL Transition Provisions	(36)	— bps
Share Repurchases	(2,644)	(80)bps
Other quarterly activities ⁽¹⁾	(382)	(10)bps
Risk Weighted Assets changes	N/A	(50)bps
CET1 as of December 31, 2021	43,501	13.1%



Fourth Quarter 2021 Highlights

- CET1 capital ratio of 13.1% at December 31, 2021
- Repurchased 17 million common shares for \$2.6 billion to complete our \$7.5 billion authorization
- Our Board of Directors has authorized a common share repurchase program of up to another \$5.0 billion

Note: Regulatory capital metrics and capital ratios as of December 31, 2021 are preliminary and therefore subject to change.

⁽¹⁾ Primarily represents quarterly common and preferred stock dividends.

Financial Summary—Business Segment Results



	Three Months Ended December 31, 2021				
	Credit Card	Consumer Banking	Commercial Banking	Other	Total
<i>(Dollars in millions)</i>					
Net interest income (loss)	\$ 3,865	\$ 2,158	\$ 595	\$ (168)	\$ 6,450
Non-interest income (loss)	1,261	142	345	(80)	1,668
Total net revenue (loss)	5,126	2,300	940	(248)	8,118
Provision (benefit) for credit losses	423	2	(44)	—	381
Non-interest expense	2,799	1,285	520	74	4,678
Income (loss) from continuing operations before income taxes	1,904	1,013	464	(322)	3,059
Income tax provision (benefit)	451	239	109	(166)	633
Income (loss) from continuing operations, net of tax	\$ 1,453	\$ 774	\$ 355	\$ (156)	\$ 2,426

(Dollars in millions, except as noted)

				2021 Q4 vs.	
	2021 Q4	2021 Q3	2020 Q4	2021 Q3	2020 Q4
Earnings:					
Net interest income	\$ 3,865	\$ 3,620	\$ 3,413	7 %	13 %
Non-interest income	1,261	1,263	1,054	—	20
Total net revenue	5,126	4,883	4,467	5	15
Provision (benefit) for credit losses	423	(198)	231	**	83
Non-interest expense	2,799	2,424	2,311	15	21
Pre-tax income	1,904	2,657	1,925	(28)	(1)
Selected performance metrics:					
Period-end loans held for investment	\$114,772	\$ 105,030	\$ 106,956	9 %	7 %
Average loans held for investment	108,588	102,046	103,561	6	5
Total net revenue margin	18.11 %	18.33 %	16.92 %	(22)bps	119 bps
Net charge-off rate	1.42	1.43	2.63	(1)	(121)
Purchase volume	\$149,982	\$ 136,614	\$ 117,141	10 %	28 %

Fourth Quarter 2021 Highlights

- Ending loans held for investment up \$7.8 billion, or 7%, year-over-year; average loans held for investment up \$5.0 billion, or 5%, year-over-year
- Purchase volume up 28% year-over-year
- Revenue up \$659 million, or 15%, year-over-year
- Revenue margin of 18.11%
- Non-interest expense up \$488 million, or 21%, year-over-year
- Provision for credit losses up \$192 million year-over-year
- Net charge-off rate of 1.42%

Domestic Card

(Dollars in millions, except as noted)

				2021 Q4 vs.	
	2021 Q4	2021 Q3	2020 Q4	2021 Q3	2020 Q4
Earnings:					
Net interest income	\$ 3,558	\$ 3,319	\$ 3,129	7 %	14 %
Non-interest income	1,190	1,200	994	(1)	20
Total net revenue	4,748	4,519	4,123	5	15
Provision (benefit) for credit losses	384	(200)	231	**	66
Non-interest expense	2,564	2,191	2,063	17	24
Pre-tax income	1,800	2,528	1,829	(29)	(2)

Selected performance metrics:

Period-end loans held for investment	\$ 108,723	\$ 99,258	\$ 98,504	10 %	10 %
Average loans held for investment	102,717	96,309	95,453	7	8
Total net revenue margin	18.14 %	18.40 %	16.91 %	(26)bps	123 bps
Net charge-off rate	1.49	1.36	2.69	13	(120)
30+ day performing delinquency rate	2.22	1.93	2.42	29	(20)
Purchase volume	\$ 138,825	\$ 126,057	\$ 107,572	10 %	29 %

Fourth Quarter 2021 Highlights

- Ending loans held for investment up \$10.2 billion, or 10%, year-over-year; average loans held for investment up \$7.3 billion, or 8%, year-over-year
- Purchase volume up 29% year-over-year
- Revenue up \$625 million, or 15%, year-over-year
 - Non-interest income reduced by \$92 million legacy rewards program upgrade
- Revenue margin of 18.14%
- Non-interest expense up \$501 million, or 24%, year-over-year
- Provision for credit losses up \$153 million year-over-year
- Net charge-off rate of 1.49%

(Dollars in millions, except as noted)

	2021		2020	2021 Q4 vs.	
	Q4	Q3		2021	2020
Earnings:					
Net interest income	\$ 2,158	\$ 2,159	\$ 2,012	— %	7 %
Non-interest income	142	127	136	12	4
Total net revenue	2,300	2,286	2,148	1	7
Provision (benefit) for credit losses	2	(91)	60	**	(97)
Non-interest expense	1,285	1,186	1,121	8	15
Pre-tax income	1,013	1,191	967	(15)	5
Selected performance metrics:					
Period-end loans held for investment	\$ 77,646	\$ 77,112	\$ 68,888	1 %	13 %
Average loans held for investment	77,444	75,996	68,808	2	13
Auto loan originations	9,721	11,570	7,371	(16)	32
Period-end deposits	256,407	252,387	249,815	2	3
Average deposits	253,372	251,307	249,419	1	2
Average deposits interest rate	0.30 %	0.30 %	0.47 %	— bps	(17)bps
Net charge-off rate	0.75	0.27	0.53	48	22

Fourth Quarter 2021 Highlights

- Ending loans held for investment up \$8.8 billion, or 13%, year-over-year; average loans held for investment up \$8.6 billion, or 13%, year-over-year
- Ending deposits up \$6.6 billion, or 3%, year-over-year
- Auto loan originations up \$2.4 billion, or 32%, year-over-year
- Revenue up \$152 million, or 7%, year-over-year
- Non-interest expense up \$164 million, or 15%, year-over-year
- Provision for credit losses down \$58 million year-over-year
- Net charge-off rate of 0.75%

			2021 Q4 vs.		
	2021 Q4	2021 Q3	2020 Q4	2021 Q3	2020 Q4
<i>(Dollars in millions, except as noted)</i>					
Earnings:					
Net interest income	\$ 595	\$ 578	\$ 522	3 %	14 %
Non-interest income	345	306	268	13	29
Total net revenue	940	884	790	6	19
Provision (benefit) for credit losses	(44)	(53)	(28)	(17)	57
Non-interest expense	520	459	445	13	17
Pre-tax income	464	478	373	(3)	24
Selected performance metrics:					
Period-end loans held for investment	\$ 84,922	\$ 79,248	\$ 75,780	7 %	12 %
Average loans held for investment	81,127	75,059	75,320	8	8
Period-end deposits	44,809	43,347	39,590	3	13
Average deposits	44,206	42,729	38,676	3	14
Average deposits interest rate	0.12 %	0.15 %	0.23 %	(3)bps	(11)bps
Net charge-off rate	(0.02)	0.05	0.45	**	**
Risk category as a percentage of period-end loans held for investment:⁽¹⁾					
Criticized performing	6.1 %	6.9 %	9.5 %	(80)bps	(340)bps
Criticized nonperforming	0.8	0.8	0.9	—	(10)

Fourth Quarter 2021 Highlights

- Ending loans held for investment up \$9.1 billion, or 12%, year-over-year; average loans held for investment up \$5.8 billion, or 8%, year-over-year
- Ending deposits up \$5.2 billion, or 13%, year-over-year; average deposits up \$5.5 billion, or 14%, year-over-year
- Revenue up \$150 million, or 19%, year-over-year
- Non-interest expense up \$75 million, or 17%, year-over-year
- Provision for credit losses down \$16 million year-over-year
- Net charge-off rate of (0.02)%
- Criticized performing loan rate of 6.1% and criticized nonperforming loan rate of 0.8%

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

Appendix

Reconciliation of Non-GAAP Measures



(Dollars in millions, except per share data and as noted)	2021				2020				Year Ended December 31,	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2021	2020
Adjusted diluted EPS:										
Net income (loss) available to common stockholders (GAAP)	\$ 2,296	\$ 2,987	\$ 3,446	\$ 3,236	\$ 2,462	\$ 2,319	\$ (1,009)	\$ (1,420)	\$ 11,965	\$ 2,375
Legal reserve activity, including insurance recoveries	—	45	55	—	(37)	40	265	45	100	313
U.K. Payment Protection Insurance customer refund reserve ("U.K. PPI Reserve")	—	—	—	—	—	(36)	—	—	—	(36)
Cybersecurity Incident expenses, net of insurance	—	—	—	—	6	6	11	4	—	27
Adjusted net income (loss) available to common stockholders before income tax impacts (non-GAAP)	2,296	3,032	3,501	3,236	2,431	2,329	(733)	(1,371)	12,065	2,679
Income tax impacts	—	(11)	(13)	—	5	(12)	(3)	(12)	(24)	(22)
Dividends and undistributed earnings allocated to participating securities ⁽¹⁰⁾	—	—	—	—	—	—	—	—	—	(2)
Adjusted net income (loss) available to common stockholders (non-GAAP)	\$ 2,296	\$ 3,021	\$ 3,488	\$ 3,236	\$ 2,436	\$ 2,317	\$ (736)	\$ (1,383)	\$ 12,041	\$ 2,655
Diluted weighted-average common shares outstanding (in millions) (GAAP)	424.3	440.5	452.3	460.1	460.2	458.5	456.7	457.6	444.2	458.9
Diluted EPS (GAAP)	\$ 5.41	\$ 6.78	\$ 7.62	\$ 7.03	\$ 5.35	\$ 5.06	\$ (2.21)	\$ (3.10)	\$ 26.94	\$ 5.18
Impact of adjustments noted above	—	0.08	0.09	—	(0.06)	(0.01)	0.60	0.08	0.17	0.61
Adjusted diluted EPS (non-GAAP)	\$ 5.41	\$ 6.86	\$ 7.71	\$ 7.03	\$ 5.29	\$ 5.05	\$ (1.61)	\$ (3.02)	\$ 27.11	\$ 5.79
Adjusted efficiency ratio:										
Non-interest expense (GAAP)	\$ 4,678	\$ 4,186	\$ 3,966	\$ 3,740	\$ 4,009	\$ 3,548	\$ 3,770	\$ 3,729	\$ 16,570	\$ 15,056
Legal reserve activity, including insurance recoveries	—	(45)	(55)	—	37	(40)	(265)	(45)	(100)	(313)
Cybersecurity Incident expenses, net of insurance	—	—	—	—	(6)	(6)	(11)	(4)	—	(27)
Adjusted non-interest expense (non-GAAP)	\$ 4,678	\$ 4,141	\$ 3,911	\$ 3,740	\$ 4,040	\$ 3,502	\$ 3,494	\$ 3,680	\$ 16,470	\$ 14,716
Total net revenue (GAAP)	\$ 8,118	\$ 7,830	\$ 7,374	\$ 7,113	\$ 7,337	\$ 7,381	\$ 6,556	\$ 7,249	\$ 30,435	\$ 28,523
U.K. PPI Reserve	—	—	—	—	—	(36)	—	—	—	(36)
Adjusted net revenue (non-GAAP)	\$ 8,118	\$ 7,830	\$ 7,374	\$ 7,113	\$ 7,337	\$ 7,345	\$ 6,556	\$ 7,249	\$ 30,435	\$ 28,487
Efficiency ratio (GAAP)	57.63%	53.46%	53.78%	52.58%	54.64%	48.07%	57.50%	51.44%	54.44%	52.79%
Impact of adjustments noted above	—bps	(57)bps	(74)bps	—bps	42bps	(39)bps	(421)bps	(67)bps	(32)bps	(113)bps
Adjusted efficiency ratio (non-GAAP)	57.63%	52.89%	53.04%	52.58%	55.06%	47.68%	53.29%	50.77%	54.12%	51.66%

⁽¹⁰⁾ Dividends and undistributed earnings allocated to participating securities and earnings per share are computed independently for each period. Accordingly, the sum of each quarterly amount may not agree to the year-to-date total.

Reconciliation of Non-GAAP Measures



(Dollars in millions, except per share data and as noted)

	2021				2020				Year Ended December 31,	
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2021	2020
Adjusted operating efficiency ratio:										
Operating expense (GAAP)	\$ 3,679	\$ 3,435	\$ 3,346	\$ 3,239	\$ 3,446	\$ 3,265	\$ 3,497	\$ 3,238	\$ 13,699	\$ 13,446
Legal reserve activity, including insurance recoveries	—	(45)	(55)	—	37	(40)	(265)	(45)	(100)	(313)
Cybersecurity Incident expenses, net of insurance	—	—	—	—	(6)	(6)	(11)	(4)	—	(27)
Adjusted operating expense (non-GAAP)	\$ 3,679	\$ 3,390	\$ 3,291	\$ 3,239	\$ 3,477	\$ 3,219	\$ 3,221	\$ 3,189	\$ 13,599	\$ 13,106
Total net revenue (GAAP)	\$ 8,118	\$ 7,830	\$ 7,374	\$ 7,113	\$ 7,337	\$ 7,381	\$ 6,556	\$ 7,249	\$ 30,435	\$ 28,523
U.K. PPI Reserve	—	—	—	—	—	(36)	—	—	—	(36)
Adjusted net revenue (non-GAAP)	\$ 8,118	\$ 7,830	\$ 7,374	\$ 7,113	\$ 7,337	\$ 7,345	\$ 6,556	\$ 7,249	\$ 30,435	\$ 28,487
Operating efficiency ratio (GAAP)	45.32%	43.87%	45.38%	45.54%	46.97%	44.24 %	53.34%	44.67%	45.01%	47.14%
Impact of adjustments noted above	— bps	(57)bps	(75)bps	—bps	42bps	(41)bps	(421)bps	(68)bps	(33)bps	(113)bps
Adjusted operating efficiency ratio (non-GAAP)	45.32%	43.30%	44.63%	45.54%	47.39%	43.83%	49.13%	43.99%	44.68%	46.01%