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 June 30, 2022

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 I	COF PRI	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series J	COF PRJ	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series K	COF PRK	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series L	COF PRL	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series N	COF PRN	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 June 30, 2022, there were 383,817,721 shares of the registrant's Common Stock outstanding.

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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 "Note 13—Commitments, Contingencies, Guarantees and Others" as well as the potential impacts of the Coronavirus Disease of 2019 ("COVID-19") pandemic described in "MD&A—Introduction—Coronavirus Disease 2019 (COVID-19) Pandemic" 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 2021 Annual Report on Form 10-K ("2021 Form 10-K") and "Part II—Item 1A. Risk Factors" in this Report. Unless otherwise specified, references to notes to our consolidated financial statements refer to the notes to our consolidated financial statements as of June 30, 2022 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 2021 Form 10-K.

INTRODUCTION

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" or "Capital One") offer a broad array of financial products and services to consumers, small businesses and commercial clients through digital channels, branch locations, Cafés and other distribution channels.

As of June 30, 2022, our principal subsidiaries included:

- Capital One Bank (USA), National Association ("COBNA"), which offers credit card products along with other lending products and consumer services; 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, long-term debt and other borrowings. We also earn non-interest income which primarily consists of interchange income, net of reward expenses, 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 or managed as a part of 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 the United Kingdom ("U.K.") and Canada.

- *Consumer Banking:* Consists of our deposit gathering and lending activities for consumers and small businesses, and national auto lending.
- *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 products as well as 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. We may issue equity or debt to fund our acquisitions. In addition, we regularly consider the potential disposition or exit of certain assets, branches, partnership agreements or lines of business.

Coronavirus Disease 2019 (COVID-19) Pandemic

The COVID-19 pandemic resulted in a global public-health crisis, disrupting economies and introducing significant volatility into financial markets. We transformed how we work in order to protect the well-being of our associates and our customers, and were able to continue to serve our customers, successfully manage critical functions, and keep our lines of business operating.

Since the start of the COVID-19 pandemic, a significant majority of our associates across our workforce have transitioned to working remotely, relying on our technology infrastructure and systems that have been designed for resilience and security. The majority of our associates continue to work remotely. In the third quarter of 2022, we plan to move to a hybrid work methodology that allows for in-office collaboration while still enabling associates to work remotely. We continue to monitor local conditions to ensure the safety of our associates.

For the extent to which the COVID-19 pandemic impacted our financial results, refer to “Part I—Item 2. MD&A.” The extent to which the COVID-19 pandemic ultimately impacts our business, results of operations, and financial condition will depend on future developments that are still uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic and actions taken by governmental authorities and other third parties in response to the COVID-19 pandemic. For more information see “Part I—Item 1A. Risk Factors” in our 2021 Form 10-K.

SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data and performance from our results of operations for the second quarter and first six months of 2022 and 2021 and selected comparative balance sheet data as of June 30, 2022 and December 31, 2021. We also provide selected key metrics we use in evaluating our performance, including certain metrics that are computed using non-GAAP measures. We consider these metrics to be key financial measures that management uses in assessing our operating performance, capital adequacy and the level of returns generated. 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 the level of return generated.

Table 1: Consolidated Financial Highlights

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions, except per share data and as noted)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Income statement						
Net interest income	**$ 6,517**	$ 5,743	13%	**$ 12,914**	$ 11,565	12%
Non-interest income	**1,715**	1,631	5	**3,491**	2,922	19
Total net revenue	**8,232**	7,374	12	**16,405**	14,487	13
Provision (benefit) for credit losses	**1,085**	(1,160)	**	**1,762**	(1,983)	**
Non-interest expense:						
Marketing	**1,003**	620	62	**1,921**	1,121	71
Operating expense	**3,580**	3,346	7	**7,213**	6,585	10
Total non-interest expense	**4,583**	3,966	16	**9,134**	7,706	19
Income from continuing operations before income taxes	**2,564**	4,568	(44)	**5,509**	8,764	(37)
Income tax provision	**533**	1,031	(48)	**1,075**	1,900	(43)
Income from continuing operations, net of tax	**2,031**	3,537	(43)	**4,434**	6,864	(35)
Income (loss) from discontinued operations, net of tax	**—**	(1)	**	**—**	(3)	**
Net income	**2,031**	3,536	(43)	**4,434**	6,861	(35)
Dividends and undistributed earnings allocated to participating securities	**(25)**	(30)	(17)	**(53)**	(58)	(9)
Preferred stock dividends	**(57)**	(60)	(5)	**(114)**	(121)	(6)
Net income available to common stockholders	**$ 1,949**	$ 3,446	(43)	**$ 4,267**	$ 6,682	(36)
Common share statistics						
Basic earnings per common share:						
Net income from continuing operations	**$ 4.98**	$ 7.65	(35)%	**$ 10.65**	$ 14.70	(28)%
Net income per basic common share	**$ 4.98**	$ 7.65	(35)	**$ 10.65**	$ 14.70	(28)
Diluted earnings per common share:						
Net income from continuing operations	**$ 4.96**	$ 7.62	(35)%	**$ 10.61**	$ 14.65	(28)%
Net income per basic common share	**$ 4.96**	$ 7.62	(35)	**$ 10.61**	$ 14.65	(28)
Weighted-average common shares outstanding (in millions):						
Basic	**391.2**	450.6	(13)%	**400.8**	454.6	(12)%
Diluted	**392.6**	452.3	(13)	**402.3**	456.2	(12)
Common shares outstanding (period-end, in millions)	**383.8**	446.1	(14)	**383.8**	446.1	(14)
Dividends declared and paid per common share	**$ 0.60**	$ 0.40	50	**$ 1.20**	$ 0.80	50

(Dollars in millions, except per share data and as noted)	Three Months Ended June 30, 2022	2021	Change	Six Months Ended June 30, 2022	2021	Change
Tangible book value per common share (period-end)[1]	**87.84**	97.20	(10)	**87.84**	97.20	(10)
Balance sheet (average balances)						
Loans held for investment	**$ 286,110**	$ 246,463	16 %	**$ 280,756**	$ 245,207	14 %
Interest-earning assets	**398,934**	390,129	2	**396,521**	389,355	2
Total assets	**435,327**	424,099	3	**432,806**	422,959	2
Interest-bearing deposits	**268,104**	273,476	(2)	**269,953**	273,417	(1)
Total deposits	**305,954**	308,217	(1)	**307,765**	306,645	—
Borrowings	**53,208**	37,054	44	**47,773**	38,475	24
Common equity	**49,319**	56,885	(13)	**51,940**	56,333	(8)
Total stockholders' equity	**54,165**	62,376	(13)	**56,786**	61,504	(8)
Selected performance metrics						
Purchase volume	**$ 148,491**	$ 132,676	12 %	**$ 282,153**	$ 241,009	17 %
Total net revenue margin[2]	**8.25 %**	7.56%	69 bps	**8.27 %**	7.44%	83 bps
Net interest margin	**6.54**	5.89	65	**6.51**	5.94	57
Return on average assets[3]	**1.87**	3.34	(147)	**2.05**	3.25	(120)
Return on average tangible assets[4]	**1.93**	3.46	(153)	**2.12**	3.36	(124)
Return on average common equity[5]	**15.81**	24.24	(8) %	**16.43**	23.73	(7) %
Return on average tangible common equity[6]	**22.63**	32.75	(10)	**23.03**	32.19	(9)
Equity-to-assets ratio[7]	**12.44**	14.71	(227)bps	**13.12**	14.54	(142)bps
Non-interest expense as a percentage of average loans held for investment	**6.41**	6.44	(3)	**6.51**	6.29	22
Efficiency ratio[8]	**55.67**	53.78	189	**55.68**	53.19	249
Operating efficiency ratio[9]	**43.49**	45.38	(189)	**43.97**	45.45	(148)
Effective income tax rate from continuing operations	**20.8**	22.6	(180)	**19.5**	21.7	(220)
Net charge-offs	**$ 845**	$ 541	56 %	**$ 1,612**	$ 1,281	26 %
Net charge-off rate	**1.18 %**	0.88%	30 bps	**1.15 %**	1.04%	11 bps

(Dollars in millions, except as noted)	June 30, 2022	December 31, 2021	Change
Balance sheet (period-end)			
Loans held for investment	**$ 296,384**	$ 277,340	7 %
Interest-earning assets	**406,565**	397,341	2
Total assets	**440,288**	432,381	2
Interest-bearing deposits	**270,881**	272,937	(1)
Total deposits	**307,885**	310,980	(1)
Borrowings	**58,938**	43,086	37
Common equity	**48,564**	56,184	(14)
Total stockholders' equity	**53,410**	61,029	(12)
Credit quality metrics			
Allowance for credit losses	**$ 11,491**	$ 11,430	1 %
Allowance as a percentage of loans held for investment ("allowance coverage ratio")	**3.88 %**	4.12 %	(24)bps
30+ day performing delinquency rate	**2.36**	2.25	11
30+ day delinquency rate	**2.54**	2.41	13
Capital ratios			

(Dollars in millions, except as noted)	June 30, 2022	December 31, 2021	Change
Common equity Tier 1 capital[10]	**12.1 %**	13.1 %	(100)bps
Tier 1 capital[10]	**13.5**	14.5	(100)
Total capital[10]	**15.7**	16.9	(120)
Tier 1 leverage[10]	**11.1**	11.6	(50)
Tangible common equity[11]	**7.9**	9.9	(200)
Supplementary leverage[10]	**9.4**	9.9	(50)
Other			
Employees (period end, in thousands)	**53.6**	50.8	6 %

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

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

(3) Return on average assets is calculated based on annualized income from continuing operations, net of tax, for the period divided by average total assets for the period.

(4) 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.

(5) Return on average common equity is calculated based on annualized net income (loss) available to common stockholders less annualized income (loss) from discontinued operations, net of tax, 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.

(6) Return on average tangible common equity is a non-GAAP measure calculated based on annualized net income (loss) available to common stockholders less annualized income (loss) from discontinued operations, net of tax, 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.

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

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

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

(10) Capital ratios are calculated based on the Basel III Standardized Approach framework, see "MD&A—Capital Management" for additional information.

(11) 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.

EXECUTIVE SUMMARY

Financial Highlights

We reported net income of $2.0 billion ($4.96 per diluted common share) on total net revenue of $8.2 billion and net income of $4.4 billion ($10.61 per diluted common share) on total net revenue of $16.4 billion for the second quarter and first six months of 2022. In comparison, we reported net income of $3.5 billion ($7.62 per diluted common share) on total net revenue of $7.4 billion and net income of $6.9 billion ($14.65 per diluted common share) on total net revenue of $14.5 billion for the second quarter and first six months of 2021.

Our common equity Tier 1 capital ratio as calculated under the Basel III Standardized Approach was 12.1% and 13.1% as of June 30, 2022 and December 31, 2021, respectively. See "MD&A—Capital Management" for additional information.

In January 2022, our Board of Directors authorized the repurchase of up to $5.0 billion of shares of our common stock. We repurchased approximately $2.0 billion of shares of our common stock during the second quarter of 2022 and $4.4 billion during the first six months of 2022. In April 2022, our Board of Directors authorized the repurchase of up to an additional $5.0 billion of shares of our common stock beginning in the third quarter of 2022. See "MD&A—Capital Management—Dividend Policy and Stock Purchases" for additional information.

Below are additional highlights of our performance in the second quarter and first six months of 2022. These highlights are based on a comparison between the results of the second quarter and first six months of 2022 and 2021, 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 June 30, 2022 compared to December 31, 2021. We provide a more detailed discussion of our financial performance in the sections following this "Executive Summary."

Total Company Performance

- *Earnings:*

  Our net income decreased by $1.5 billion to $2.0 billion in the second quarter of 2022 compared to the second quarter of 2021 and decreased by $2.4 billion to $4.4 billion in the first six months of 2022 compared to the first six months of 2021 primarily driven by:

  - Higher provision for credit losses driven by allowance builds in our Consumer and Commercial businesses due to loan growth and continued economic uncertainty, compared to allowance releases across all of our segments in the first half of 2021.
  - Higher non-interest expense primarily driven by increased marketing spend primarily in our Credit Card business to generate growth in spending and new accounts.

  These drivers were partially offset by:

  - Higher net interest income primarily driven by higher average loan balances and margins in our credit card loan portfolio.
  - Higher non-interest income primarily driven by higher net interchange fees due to an increase in purchase volume.

- *Loans Held for Investment:*

  - Period-end loans held for investment increased by $19.0 billion to $296.4 billion as of June 30, 2022 from December 31, 2021 driven by growth across all of our segments.
  - Average loans held for investment increased by $39.6 billion to $286.1 billion in the second quarter of 2022 compared to the second quarter of 2021 and increased by $35.5 billion to $280.8 billion in the first six months of 2022 compared to the first six months of 2021 primarily driven by growth across all of our segments.

- *Net Charge-Off and Delinquency Metrics:*
    - Our net charge-off rate increased by 30 basis points ("bps") to 1.18% in the second quarter of 2022 compared to the second quarter of 2021 and increased by 11 basis points to 1.15% in the first six months of 2022 compared to the first six months of 2021 primarily driven by gradual credit normalization, partly offset by higher average loan balances.
    - Our 30+ day delinquency rate increased by 13 basis points to 2.54% as of June 30, 2022 from December 31, 2021 primarily driven by continued gradual credit normalization, partly offset by higher ending loan balances.
- *Allowance for Credit Losses:* Our allowance for credit losses increased by $61 million to $11.5 billion as of June 30, 2022 compared to December 31, 2021. Our allowance coverage ratio decreased by 24 basis points to 3.88% as of June 30, 2022 compared to December 31, 2021 primarily driven by loan growth and continued strong credit performance in Credit Card.

CONSOLIDATED RESULTS OF OPERATIONS

The section below provides a comparative discussion of our consolidated financial performance for the second quarter and first six months of 2022 and 2021. We provide a discussion of our business segment results in the following section, "MD&A—Business Segment Financial Performance." This section should be read together with our "MD&A—Executive Summary," 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 interest income, including certain fees, earned on our interest-earning assets and the interest expense incurred on our interest-bearing liabilities. Our 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.

Table 2 below presents the average outstanding balance, interest income earned, interest expense incurred and average yield for the second quarter and first six months of 2022 and 2021 for each major category of our interest-earning assets and interest-bearing liabilities. Nonperforming loans are included in the average loan balances below.

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

	Three Months Ended June 30,					
	2022			2021		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Average Yield/ Rate[1]	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Loans:[2]						
Credit card	**$ 115,835**	**$ 4,413**	**15.24 %**	$ 101,642	$ 3,568	14.04 %
Consumer banking	**81,096**	**1,433**	**7.07**	72,705	1,451	7.99
Commercial banking[3]	**90,203**	**716**	**3.17**	74,933	510	2.72
Other[4]	**—**	**43**	**	—	224	**
Total loans, including loans held for sale	**287,134**	**6,605**	**9.20**	249,280	5,753	9.23
Investment securities	**92,062**	**435**	**1.89**	100,071	370	1.48
Cash equivalents and other interest-earning assets	**19,738**	**55**	**1.10**	40,778	16	0.16
Total interest-earning assets	**398,934**	**7,095**	**7.11**	390,129	6,139	6.29
Cash and due from banks	**5,162**			5,417		
Allowance for credit losses	**(11,303)**			(14,007)		
Premises and equipment, net	**4,262**			4,275		
Other assets	**38,272**			38,285		
Total assets	**$ 435,327**			$ 424,099		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing deposits	**$ 268,104**	**$ 293**	**0.44 %**	$ 273,476	$ 237	0.35 %
Securitized debt obligations	**15,041**	**65**	**1.73**	10,890	28	1.03
Senior and subordinated notes	**28,919**	**194**	**2.68**	25,487	122	1.92
Other borrowings and liabilities	**10,922**	**26**	**0.98**	2,198	9	1.67
Total interest-bearing liabilities	**322,986**	**578**	**0.72**	312,051	396	0.50
Non-interest-bearing deposits	**37,850**			34,741		
Other liabilities	**20,326**			14,931		
Total liabilities	**381,162**			361,723		
Stockholders' equity	**54,165**			62,376		
Total liabilities and stockholders' equity	**$ 435,327**			$ 424,099		
Net interest income/spread		**$ 6,517**	**6.40**		$ 5,743	5.79
Impact of non-interest-bearing funding			**0.14**			0.10
Net interest margin			**6.54 %**			5.89 %

(Dollars in millions)	Six Months Ended June 30, 2022 Average Balance	2022 Interest Income/ Expense	2022 Average Yield/ Rate[1]	2021 Average Balance	2021 Interest Income/ Expense	2021 Average Yield/ Rate
Assets:						
Interest-earning assets:						
Loans:[2]						
Credit card	**$ 115,007**	**$ 8,687**	**15.11 %**	$ 102,078	$ 7,281	14.26 %
Consumer banking	**79,957**	**2,844**	**7.11**	70,979	2,864	8.07
Commercial banking[3]	**88,136**	**1,287**	**2.92**	74,927	1,026	2.74
Other[4]	**—**	**154**	**	—	436	**
Total loans, including loans held for sale	**283,100**	**12,972**	**9.16**	247,984	11,607	9.36
Investment securities	**93,374**	**837**	**1.79**	99,189	761	1.53
Cash equivalents and other interest-earning assets	**20,047**	**70**	**0.69**	42,182	32	0.15
Total interest-earning assets	**396,521**	**13,879**	**7.00**	389,355	12,400	6.37
Cash and due from banks	**5,206**			5,251		
Allowance for credit losses	**(11,365)**			(14,773)		
Premises and equipment, net	**4,248**			4,279		
Other assets	**38,196**			38,847		
Total assets	**$ 432,806**			$ 422,959		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing deposits	**$ 269,953**	**$ 511**	**0.38 %**	$ 273,417	$ 506	0.37 %
Securitized debt obligations	**14,394**	**94**	**1.31**	11,561	60	1.04
Senior and subordinated notes	**27,707**	**325**	**2.34**	26,223	251	1.92
Other borrowings and liabilities	**7,298**	**35**	**0.98**	2,205	18	1.65
Total interest-bearing liabilities	**319,352**	**965**	**0.60**	313,406	835	0.53
Non-interest-bearing deposits	**37,812**			33,228		
Other liabilities	**18,856**			14,821		
Total liabilities	**376,020**			361,455		
Stockholders' equity	**56,786**			61,504		
Total liabilities and stockholders' equity	**$ 432,806**			$ 422,959		
Net interest income/spread		**$ 12,914**	**6.40**		$ 11,565	5.84
Impact of non-interest-bearing funding			**0.11**			0.10
Net interest margin			**6.51 %**			5.94 %

(1) Average yield is calculated based on annualized interest income for the period divided by average loans during the period. Annualized interest income does not include any allocations, such as funds transfer pricing. Average yield is calculated using whole dollar values for average balances and interest income/expense. Accordingly, total interest earning assets less total interest bearing liabilities may not total net interest income/spread.

(2) Past due fees included in interest income totaled approximately $439 million and $877 million in the second quarter and first six months of 2022, respectively, and $302 million and $612 million in the the second quarter and first six months of 2021, respectively.

(3) 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 $18 million and $36 million in the second quarter and first six months of 2022, respectively, and $19 million and $38 million in the the second quarter and first six months of 2021, respectively, with corresponding reductions to the Other category.

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

** Not meaningful.

Net interest income increased by $774 million to $6.5 billion in the second quarter of 2022 compared to the second quarter of 2021 and increased by $1.3 billion to $12.9 billion in the first six months of 2022 compared to the first six months of 2021 primarily driven by higher average loan balances and margins in our credit card loan portfolio.

Net interest margin increased by 65 basis points to 6.54% in the second quarter of 2022 compared to the second quarter of 2021 and increased by 57 basis points to 6.51% in the first six months of 2022 compared to the first six months of 2021 primarily driven by lower average cash and securities balances and higher average loan balances.

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 June 30, 2022 vs. 2021			Six Months Ended June 30, 2022 vs. 2021		
(Dollars in millions)	Total Variance	Volume	Rate	Total Variance	Volume	Rate
Interest income:						
Loans:						
Credit card	$ 845	$ 523	$ 322	$ 1,406	$ 958	$ 448
Consumer banking	(18)	148	(166)	(20)	319	(339)
Commercial banking[2]	206	113	93	261	189	72
Other[3]	(181)	—	(181)	(282)	—	(282)
Total loans, including loans held for sale	852	784	68	1,365	1,466	(101)
Investment securities	65	(30)	95	76	(44)	120
Cash equivalents and other interest-earning assets	39	(8)	47	38	(17)	55
Total interest income	956	746	210	1,479	1,405	74
Interest expense:						
Interest-bearing deposits	56	(5)	61	5	(6)	11
Securitized debt obligations	37	13	24	34	16	18
Senior and subordinated notes	72	18	54	74	15	59
Other borrowings and liabilities	17	21	(4)	17	24	(7)
Total interest expense	182	47	135	130	49	81
Net interest income	$ 774	$ 699	$ 75	$ 1,349	$ 1,356	$ (7)

(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 in the Other category represents the impact of hedge accounting on our loan portfolios and the offsetting reduction of the taxable-equivalent adjustments of our commercial loans as described above.

Non-Interest Income

Table 4 displays the components of non-interest income for the second quarter and first six months of 2022 and 2021.

Table 4: Non-Interest Income

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2022**	**2021**	**2022**	**2021**
Interchange fees, net	**$ 1,201**	$ 1,016	**$ 2,234**	$ 1,833
Service charges and other customer-related fees	**415**	384	**815**	736
Other non-interest income:[1]				
Mortgage banking revenue	**26**	40	**94**	100
Treasury and other investment income	**(26)**	94	**(44)**	78
Other	**99**	97	**392**	175
Total other non-interest income	**99**	231	**442**	353
Total non-interest income	**$ 1,715**	$ 1,631	**$ 3,491**	$ 2,922

[1] Includes losses of $62 million and $87 million on deferred compensation plan investments in the second quarter and first six months of 2022, respectively, and gains of $26 million and $45 million on deferred compensation plan investments in the second quarter and first six months of 2021, respectively. These amounts have corresponding offsets in non-interest expense.

Non-interest income increased by $84 million to $1.7 billion in the second quarter of 2022 compared to the second quarter of 2021 and increased by $569 million to $3.5 billion in the first six months of 2022 compared to the first six months of 2021 primarily driven by higher net interchange fees due to an increase in purchase volume in our Credit Card business.

Provision for Credit Losses

Our provision for credit losses in each period is driven by net charge-offs, changes to the allowance for credit losses and changes to the reserve for unfunded lending commitments. Our provision for credit losses increased by $2.2 billion to $1.1 billion in the second quarter of 2022 and increased by $3.7 billion to $1.8 billion in the first six months of 2022 primarily driven by allowance builds in our Consumer and Commercial businesses due to loan growth and continued economic uncertainty, compared to allowance releases across all of our segments in the first half of 2021.

We provide additional information on the provision for credit losses and changes in the allowance for credit losses within “MD&A—Credit Risk Profile” and “Note 4—Allowance for Credit 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 2021 Form 10-K.

Non-Interest Expense

Table 5 displays the components of non-interest expense for the second quarter and first six months of 2022 and 2021.

Table 5: Non-Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2022**	**2021**	**2022**	**2021**
Salaries and associate benefits[1]	**$ 1,946**	$ 1,781	**$ 3,972**	$ 3,628
Occupancy and equipment	**481**	523	**994**	995
Marketing	**1,003**	620	**1,921**	1,121
Professional services	**458**	341	**855**	633
Communications and data processing	**339**	315	**678**	617
Amortization of intangibles	**14**	5	**28**	11
Other non-interest expense:				
Bankcard, regulatory and other fee assessments	**61**	38	**121**	90
Collections	**79**	95	**163**	179
Other	**202**	248	**402**	432
Total other non-interest expense	**342**	381	**686**	701
Total non-interest expense	**$ 4,583**	$ 3,966	**$ 9,134**	$ 7,706

(1) Includes a benefit of $62 million and $87 million related to our deferred compensation plan investments for the second quarter and first six months of 2022, respectively, and expense of $26 million and $45 million related to our deferred compensation plan investments for the second quarter and first six months of 2021, respectively. These amounts have corresponding offsets from investments in other non-interest income.

Non-interest expense increased by $617 million to $4.6 billion in the second quarter of 2022 compared to the second quarter of 2021 and increased by $1.4 billion to $9.1 billion in the first six months of 2022 compared to the the first six months of 2021 primarily driven by increased marketing spend.

Income Taxes

We recorded an income tax provision of $533 million (20.8% effective income tax rate) and $1.1 billion (19.5% effective income tax rate) in the second quarter and first six months of 2022, respectively, compared to an income tax provision of $1.0 billion (22.6% effective income tax rate) and $1.9 billion (21.7% effective income tax rate) in the second quarter and first six months of 2021, respectively. Our effective tax rate on income from continuing operations varies between periods due, in part, to the impact of changes in pre-tax income and changes in tax credits, tax-exempt income and non-deductible expenses relative to our pre-tax earnings.

The decrease in our effective income tax rate in the second quarter and first six months of 2022 compared to the second quarter and first six months of 2021 was primarily due to higher tax credits relative to our income.

In the second quarter of 2022, the Internal Revenue Service completed the audits of tax years 2017 through 2019 resulting in a $358 million payable that was previously recognized and has no impact to our current period consolidated financial statements.

We provide additional information on items affecting our income taxes and effective tax rate in “Note 15—Income Taxes” in our 2021 Form 10-K.

CONSOLIDATED BALANCE SHEETS ANALYSIS

Total assets increased by $7.9 billion to $440.3 billion as of June 30, 2022 from December 31, 2021 primarily driven by growth in our loan portfolios, partially offset by net paydowns and a decline in the fair value of our investment securities portfolio.

Total liabilities increased by $15.5 billion to $386.9 billion as of June 30, 2022 from December 31, 2021 primarily driven by net issuances of Federal Home Loan Banks ("FHLB") advances and senior unsecured debt.

Stockholders' equity decreased by $7.6 billion to $53.4 billion as of June 30, 2022 from December 31, 2021 primarily driven by a decrease in accumulated other comprehensive income due to a decline in the fair value of our investment securities portfolio, as well as common stock repurchases which were largely offset by net income of $4.4 billion.

The following is a discussion of material changes in the major components of our assets and liabilities during the first six months of 2022. 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 of the following: U.S. government-sponsored enterprise or agency ("Agency") and non-agency residential mortgage-backed securities ("RMBS"), Agency commercial mortgage-backed securities ("CMBS"), U.S. Treasury securities 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 Agency and U.S. Treasury securities represented 97% and 96% of our total investment securities portfolio as of June 30, 2022 and December 31, 2021, respectively.

The fair value of our available for sale securities portfolio decreased by $12.2 billion to $83.0 billion as of June 30, 2022 from December 31, 2021, primarily driven by the increases in interest rates and net paydowns. See "Note 2—Investment Securities" for more information.

Loans Held for Investment

Total loans held for investment consists of both unsecuritized loans and loans held in our consolidated trusts. Table 6 summarizes, by portfolio segment, the carrying value of our loans held for investment, the allowance for credit losses and net loan balance as of June 30, 2022 and December 31, 2021.

Table 6: Loans Held for Investment

	June 30, 2022			December 31, 2021		
(Dollars in millions)	Loans	Allowance	Net Loans	Loans	Allowance	Net Loans
Credit Card	**$ 120,880**	**$ 8,166**	**$ 112,714**	$ 114,772	$ 8,345	$ 106,427
Consumer Banking	**81,531**	**2,047**	**79,484**	77,646	1,918	75,728
Commercial Banking	**93,973**	**1,278**	**92,695**	84,922	1,167	83,755
Total	**$ 296,384**	**$ 11,491**	**$ 284,893**	$ 277,340	$ 11,430	$ 265,910

Loans held for investment increased by $19.0 billion to $296.4 billion as of June 30, 2022 from December 31, 2021 primarily driven by growth across all of our segments.

We provide additional information on the composition of our loan portfolio and credit quality in "MD&A—Credit Risk Profile," "MD&A—Consolidated Results of Operations" and "Note 3—Loans."

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 raise funding through the issuance of senior and subordinated notes, securitized debt obligations, federal funds purchased, securities loaned or sold under agreements to repurchase, and FHLB advances secured by certain portions of our loan and securities portfolios.

Table 7 provides the composition of our primary sources of funding as of June 30, 2022 and December 31, 2021.

Table 7: Funding Sources Composition

	June 30, 2022		December 31, 2021	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Deposits:				
Consumer Banking	**$ 255,904**	**69 %**	$ 256,407	72 %
Commercial Banking	**38,844**	**11**	44,809	13
Other[1]	**13,137**	**4**	9,764	3
Total deposits	**307,885**	**84**	310,980	88
Securitized debt obligations	**17,466**	**5**	14,994	4
Other debt	**41,472**	**11**	28,092	8
Total funding sources	**$ 366,823**	**100 %**	$ 354,066	100 %

[1] Includes brokered deposits of $12.1 billion and $8.6 billion as of June 30, 2022 and December 31, 2021, respectively.

Total deposits decreased by $3.1 billion to $307.9 billion as of June 30, 2022 from December 31, 2021 primarily driven by the impact of a rising and competitive interest rate environment and seasonality in Commercial Banking.

Securitized debt obligations increased by $2.5 billion to $17.5 billion as of June 30, 2022 from December 31, 2021 primarily driven by net issuances in our credit card and auto securitization programs.

Other debt increased by $13.4 billion to $41.5 billion as of June 30, 2022 from December 31, 2021 primarily driven by a net increase in FHLB advances.

We provide additional information on our funding sources in “MD&A—Liquidity Risk Profile” and “Note 7—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 5—Variable Interest Entities and Securitizations” and “Note 13—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 or managed as a part of 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 calculation of our 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.

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 may periodically change our business segments or reclassify business segment results based on modifications to our management reporting methodologies and changes in organizational alignment. Our business segment results are intended to reflect each segment as if it were a stand-alone business. We use an internal management and reporting process to derive our business segment results. Our internal management and reporting process 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. Total interest income and non-interest income are directly attributable to the segment in which they are reported. The net interest income of each segment reflects the results of our funds transfer pricing process, which is primarily based on a matched funding concept that takes into consideration market interest rates. 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 charge for the use of funds by each segment. The allocation process is unique to each business segment and acquired business. 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 17—Business Segments and Revenue from Contracts with Customers” in our 2021 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 second quarter and first six months of 2022 and 2021 and provide a comparative discussion of these results, as well as changes in our financial condition and credit performance metrics as of June 30, 2022 compared to December 31, 2021. We provide a reconciliation of our total business segment results to our reported consolidated results in “Note 12—Business Segments and Revenue from Contracts with Customers.”

Business Segment Financial Performance

Table 8 summarizes our business segment results, which we report based on revenue (loss) and income (loss) from continuing operations, for the second quarter and first six months of 2022 and 2021.

Table 8: Business Segment Results

	Three Months Ended June 30,							
	2022				2021			
	Total Net Revenue (Loss)[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	**$ 5,309**	**65 %**	**$ 1,491**	**74 %**	$ 4,470	61 %	$ 2,170	61 %
Consumer Banking	**2,243**	**27**	**516**	**25**	2,245	30	1,091	31
Commercial Banking[3]	**907**	**11**	**152**	**7**	717	10	396	11
Other[3]	**(227)**	**(3)**	**(128)**	**(6)**	(58)	(1)	(120)	(3)
Total	**$ 8,232**	**100 %**	**$ 2,031**	**100 %**	$ 7,374	100 %	$ 3,537	100 %

	Six Months Ended June 30,							
	2022				2021			
	Total Net Revenue (Loss)[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	**$ 10,606**	**65 %**	**$ 2,991**	**68 %**	$ 8,871	61 %	$ 4,275	62 %
Consumer Banking	**4,461**	**27**	**1,166**	**26**	4,416	31	1,993	29
Commercial Banking[3]	**1,791**	**11**	**448**	**10**	1,477	10	812	12
Other[3]	**(453)**	**(3)**	**(171)**	**(4)**	(277)	(2)	(216)	(3)
Total	**$ 16,405**	**100 %**	**$ 4,434**	**100 %**	$ 14,487	100 %	$ 6,864	100 %

(1) Total net revenue (loss) 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 (loss) 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.

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 $1.5 billion and $3.0 billion in the second quarter and first six months of 2022, respectively, and $2.2 billion and $4.3 billion in the second quarter and first six months of 2021, respectively.

Table 9 summarizes the financial results of our Credit Card business and displays selected key metrics for the periods indicated.

Table 9: Credit Card Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions, except as noted)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Selected income statement data:						
Net interest income	**$ 3,899**	$ 3,217	21 %	**$ 7,738**	$ 6,589	17 %
Non-interest income	**1,410**	1,253	13	**2,868**	2,282	26
Total net revenue[1]	**5,309**	4,470	19	**10,606**	8,871	20
Provision (benefit) for credit losses	**581**	(635)	**	**1,126**	(1,127)	**
Non-interest expense	**2,771**	2,263	22	**5,554**	4,398	26
Income from continuing operations before income taxes	**1,957**	2,842	(31)	**3,926**	5,600	(30)
Income tax provision	**466**	672	(31)	**935**	1,325	(29)
Income from continuing operations, net of tax	**$ 1,491**	$ 2,170	(31)	**$ 2,991**	$ 4,275	(30)
Selected performance metrics:						
Average loans held for investment	**$ 115,835**	$ 99,674	16	**$ 113,670**	$ 100,102	14
Average yield on loans[2]	**15.24 %**	14.04 %	120 bps	**15.11 %**	14.26%	85 bps
Total net revenue margin[3]	**18.33**	17.59	74	**18.44**	17.38	106
Net charge-offs	**$ 678**	$ 571	19 %	**$ 1,285**	$ 1,204	7 %
Net charge-off rate	**2.34 %**	2.29 %	5 bps	**2.26 %**	2.41%	(15)bps
Purchase volume	**$ 148,491**	$ 132,676	12 %	**$ 282,153**	$ 241,009	17 %

(Dollars in millions, except as noted)	**June 30, 2022**	**December 31, 2021**	**Change**
Selected period-end data:			
Loans held for investment	**$ 120,880**	$ 114,772	5 %
30+ day performing delinquency rate	**2.42 %**	2.28 %	14 bps
30+ day delinquency rate	**2.42**	2.29	13
Nonperforming loan rate[4]	**0.01**	0.01	—
Allowance for credit losses	**$ 8,166**	$ 8,345	(2) %
Allowance coverage ratio	**6.76 %**	7.27 %	(51)bps

(1) We recognize finance charges and fee income on open-ended loans in accordance with the contractual provisions of the credit arrangements and charge off uncollectible amounts. Total net revenue was reduced by $211 million and $403 million in the second quarter and first six months of 2022, respectively, compared to $175 million and $355 million in the second quarter and first six months of 2021, respectively, for finance charges and fees charged-off as uncollectible.

(2) Average yield is calculated based on annualized interest income for the period divided by average loans during the period and does not include any allocations, such as funds transfer pricing.

(3) Total net revenue margin is calculated based on annualized total net revenue for the period divided by average loans during the period.

(4) 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.

** Not meaningful.

Key factors affecting the results of our Credit Card business for the second quarter and first six months of 2022 compared to the second quarter and first six months of 2021, and changes in financial condition and credit performance between June 30, 2022 and December 31, 2021 include the following:

- *Net Interest Income:* Net interest income increased by $682 million to $3.9 billion in the second quarter of 2022 and increased by $1.1 billion to $7.7 billion in the first six months of 2022 primarily driven by higher average loan balances and higher margins.
- *Non-Interest Income:* Non-interest income increased by $157 million to $1.4 billion in the second quarter of 2022 and increased by $586 million to $2.9 billion in the first six months of 2022 primarily driven by higher net interchange fees due to an increase in purchase volume.
- *Provision for Credit Losses:* Provision for credit losses increased by $1.2 billion to $581 million in the second quarter of 2022 and increased by $2.3 billion to $1.1 billion in the first six months of 2022 driven by more modest allowance releases in 2022 due to continued strong credit performance, partially offset by loan growth and continued economic uncertainty, compared to allowance releases in the first half of 2021.
- *Non-Interest Expense:* Non-interest expense increased by $508 million to $2.8 billion in the second quarter of 2022 and increased by $1.2 billion to $5.6 billion in the first six months of 2022 primarily driven by increased marketing spend.

Loans Held for Investment:

- Period-end loans held for investment increased by $6.1 billion to $120.9 billion as of June 30, 2022 from December 31, 2021 primarily driven by higher purchase volume and slightly lower customer payment rates.
- Average loans held for investment increased by $16.2 billion to $115.8 billion in the second quarter of 2022 compared to the second quarter of 2021 and increased by $13.6 billion to $113.7 billion in the first six months of 2022 compared to the first six months of 2021 primarily driven by higher purchase volume and slightly lower customer payment rates.

Net Charge-Off and Delinquency Metrics:

- The net charge-off rate increased by 5 basis points to 2.34% in the second quarter of 2022 compared to the second quarter of 2021. The net charge-off rate decreased by 15 basis points to 2.26% in the first six months of 2022 compared to the first six months of 2021 primarily driven by higher average loan balances, partially offset by continued gradual credit normalization.
- The 30+ day delinquency rate increased by 13 basis points to 2.42% as of June 30, 2022 from December 31, 2021 primarily driven by continued gradual credit normalization, partially offset by higher ending loan balances.

Domestic Card Business

The Domestic Card business generated net income from continuing operations of $1.5 billion and $2.8 billion in the second quarter and first six months of 2022, respectively, and $2.0 billion and $4.0 billion in the second quarter and first six months of 2021, respectively. In the second quarter and first six months of 2022 and 2021, the Domestic Card business accounted for greater than 90% of total net revenue of our Credit Card business.

Table 9.1 summarizes the financial results for Domestic Card business and displays selected key metrics for the periods indicated.

Table 9.1: Domestic Card Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions, except as noted)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Selected income statement data:						
Net interest income	**$ 3,651**	$ 2,944	24%	**$ 7,271**	$ 6,039	20%
Non-interest income	**1,340**	1,183	13	**2,588**	2,142	21
Total net revenue[1]	**4,991**	4,127	21	**9,859**	8,181	21
Provision (benefit) for credit losses	**494**	(561)	**	**1,053**	(1,052)	**
Non-interest expense	**2,594**	2,034	28	**5,158**	3,957	30
Income from continuing operations before income taxes	**1,903**	2,654	(28)	**3,648**	5,276	(31)
Income tax provision	**450**	626	(28)	**864**	1,245	(31)
Income from continuing operations, net of tax	**$ 1,453**	$ 2,028	(28)	**$ 2,784**	$ 4,031	(31)
Selected performance metrics:						
Average loans held for investment	**$ 109,962**	$ 91,535	20%	**$ 107,761**	$ 92,062	17%
Average yield on loans[2]	**15.03%**	13.91%	112bps	**14.92%**	14.13%	79bps
Total net revenue margin[3]	**18.16**	17.66	50	**18.21**	17.40	81
Net charge-offs	**$ 622**	$ 522	19%	**$ 1,181**	$ 1,109	6%
Net charge-off rate	**2.26%**	2.28%	(2)bps	**2.19%**	2.41%	(22)bps
Purchase volume	**$ 144,668**	$ 122,456	18%	**$ 270,952**	$ 222,416	22%

(Dollars in millions, except as noted)	**June 30, 2022**	**December 31, 2021**	**Change**
Selected period-end data:			
Loans held for investment	**$ 115,004**	$ 108,723	6%
30+ day performing delinquency rate	**2.35 %**	2.22 %	13 bps
Allowance for credit losses	**$ 7,840**	$ 7,968	(2)%
Allowance coverage ratio	**6.82 %**	7.33 %	(51)bps

(1) We recognize finance charges and fee income on open-ended loans in accordance with the contractual provisions of the credit arrangements and charge off uncollectible amounts. Finance charges and fees charged off as uncollectible are reflected as a reduction in total net revenue.

(2) Average yield is calculated based on annualized interest income for the period divided by average loans during the period and does not include any allocations, such as funds transfer pricing.

(3) Total net revenue margin is calculated based on annualized total net revenue for the period divided by average loans during the period.

** Not meaningful.

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 second quarter of 2022 and in the first six months of 2022 compared to the second quarter of 2021 and in the first six months of 2021 primarily driven by:

- Higher provision for credit losses as we had more modest allowance releases in 2022 due to continued strong credit performance, partially offset by loan growth and continued economic uncertainty, compared to allowance releases in the first half of 2021.
- Higher non-interest expense primarily driven by increased marketing spend.

These drivers were partially offset by:

- Higher net interest income primarily driven by higher average loan balances and higher margins.
- Higher non-interest income primarily driven by higher net interchange fees due to an increase in purchase volume.

Consumer Banking Business

The primary sources of revenue for our Consumer Banking business are net interest income from loans and deposits. 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 $516 million and $1.2 billion in the second quarter and first six months of 2022, respectively, and $1.1 billion and $2.0 billion in the second quarter and first six months of 2021, respectively.

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

Table 10: Consumer Banking Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions, except as noted)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Selected income statement data:						
Net interest income	**$ 2,147**	$ 2,101	2%	**$ 4,260**	$ 4,131	3%
Non-interest income	**96**	144	(33)	**201**	285	(29)
Total net revenue	**2,243**	2,245	—	**4,461**	4,416	1
Provision (benefit) for credit losses	**281**	(306)	**	**411**	(432)	**
Non-interest expense	**1,286**	1,123	15	**2,522**	2,240	13
Income from continuing operations before income taxes	**676**	1,428	(53)	**1,528**	2,608	(41)
Income tax provision	**160**	337	(53)	**362**	615	(41)
Income from continuing operations, net of tax	**$ 516**	$ 1,091	(53)	**$ 1,166**	$ 1,993	(41)
Selected performance metrics:						
Average loans held for investment:						
Auto	**$ 79,313**	$ 69,543	14	**$ 78,109**	$ 67,873	15
Retail banking	**1,668**	3,162	(47)	**1,732**	3,106	(44)
Total consumer banking	**$ 80,981**	$ 72,705	11	**$ 79,841**	$ 70,979	12
Average yield on loans held for investment[1]	**7.08 %**	7.99%	(91)bps	**7.13 %**	8.07%	(94)bps
Average deposits	**$ 254,336**	$ 252,488	1%	**$ 254,798**	$ 251,002	2%
Average deposits interest rate	**0.38 %**	0.31 %	7bps	**0.33 %**	0.33 %	—
Net charge-offs (recoveries)	**$ 136**	$ (11)	**	**$ 282**	$ 80	**
Net charge-off (recovery) rate	**0.67 %**	(0.06)%	73bps	**0.71 %**	0.23 %	48bps
Auto loan originations	**$ 10,328**	$ 12,959	(20)%	**$ 22,041**	$ 21,792	1%

(Dollars in millions, except as noted)	**June 30, 2022**	**December 31, 2021**	**Change**
Selected period-end data:			
Loans held for investment:			
Auto	**$ 79,926**	$ 75,779	5%
Retail banking	**1,605**	1,867	(14)
Total consumer banking	**$ 81,531**	$ 77,646	5
30+ day performing delinquency rate	**4.39 %**	4.26 %	13bps
30+ day delinquency rate	**4.81**	4.66	15
Nonperforming loan rate	**0.54**	0.50	4
Nonperforming asset rate[2]	**0.60**	0.56	4
Allowance for credit losses	**$ 2,047**	$ 1,918	7%
Allowance coverage ratio	**2.51 %**	2.47 %	4bps
Deposits	**$ 255,904**	$ 256,407	—

(1) Average yield is calculated based on annualized interest income for the period divided by average loans during the period and does not include any allocations, such as funds transfer pricing.

(2) 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.

Key factors affecting the results of our Consumer Banking business for the second quarter and first six months of 2022 compared to the second quarter and first six months of 2021, and changes in financial condition and credit performance between June 30, 2022 and December 31, 2021 include the following:

- *Net Interest Income:* Net interest income increased by $46 million to $2.1 billion in the second quarter of 2022 and increased by $129 million to $4.3 billion in the first six months of 2022 primarily driven by higher margins in our Retail Banking business due to the increases in interest rates.
- *Non-Interest Income:* Non-interest income decreased by $48 million to $96 million in the second quarter of 2022 and decreased by $84 million to $201 million in the first six months of 2022 primarily driven by changes to our customer overdraft and non-sufficient funds policies in our Retail Banking business.
- *Provision for Credit Losses:* Provision for credit losses increased by $587 million to $281 million in the second quarter of 2022 and increased by $843 million to $411 million in the first six months of 2022 primarily driven by an allowance build due to loan growth and continued economic uncertainty, compared to allowance releases in the first half of 2021.
- *Non-Interest Expense:* Non-interest expense increased by $163 million to $1.3 billion in the second quarter of 2022 and increased by $282 million to $2.5 billion in the first six months of 2022 primarily driven by continued investment in technology and infrastructure, as well as increased marketing spend.

Loans Held for Investment:

- Period-end loans held for investment increased by $3.9 billion to $81.5 billion as of June 30, 2022 from December 31, 2021 primarily driven by growth in our auto loan portfolio.
- Average loans held for investment increased by $8.3 billion to $81.0 billion in the second quarter of 2022 compared to the the second quarter of 2021 and increased by $8.9 billion to $79.8 billion in the first six months of 2022 compared to the first six months of 2021 primarily driven by growth in our auto loan portfolio.

Deposits:

- Period-end deposits decreased by $503 million to $255.9 billion as of June 30, 2022 compared to December 31, 2021.

Net Charge-Off and Delinquency Metrics:

- The net charge-off rate increased by 73 basis points to 0.67% in the second quarter of 2022 compared to the the second quarter of 2021 and increased by 48 basis points to 0.71% in the first six months of 2022 compared to the first six months of 2021 primarily driven by gradual credit normalization in our auto loan portfolio.
- The 30+ day delinquency rate increased by 15 basis points to 4.81% as of June 30, 2022 from December 31, 2021 primarily driven by gradual credit normalization in our auto loan portfolio.

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 earned from products and services provided to our clients such as capital markets and treasury management. 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 and operating costs.

Our Commercial Banking business generated net income from continuing operations of $152 million and $448 million in the second quarter and first six months of 2022, respectively, and $396 million and $812 million in the second quarter and first six months of 2021, respectively.

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

Table 11: Commercial Banking Business Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions, except as noted)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Selected income statement data:						
Net interest income	**$ 635**	$ 460	38%	**$ 1,242**	$ 980	27%
Non-interest income	**272**	257	6	**549**	497	10
Total net revenue[1]	**907**	717	26	**1,791**	1,477	21
Provision (benefit) for credit losses[2]	**222**	(219)	**	**230**	(422)	**
Non-interest expense	**485**	417	16	**973**	836	16
Income from continuing operations before income taxes	**200**	519	(61)	**588**	1,063	(45)
Income tax provision	**48**	123	(61)	**140**	251	(44)
Income from continuing operations, net of tax	**$ 152**	$ 396	(62)	**$ 448**	$ 812	(45)
Selected performance metrics:						
Average loans held for investment:						
Commercial and multifamily real estate	**$ 35,754**	$ 30,124	19	**$ 35,215**	$ 29,991	17
Commercial and industrial	**53,540**	43,960	22	**52,030**	44,135	18
Total commercial banking	**$ 89,294**	$ 74,084	21	**$ 87,245**	$ 74,126	18
Average yield on loans held for investment[1][3]	**3.18 %**	2.72 %	46bps	**2.92 %**	2.74 %	18bps
Average deposits	**$ 40,536**	$ 42,311	(4)%	**$ 42,760**	$ 41,215	4%
Average deposits interest rate	**0.19 %**	0.14 %	5bps	**0.15 %**	0.16 %	(1)bps
Net charge-offs (recoveries)	**$ 31**	$ (19)	**	**$ 45**	$ (3)	**
Net charge-off (recovery) rate	**0.14 %**	(0.11)%	25bps	**0.10 %**	(0.01)%	11bps

(Dollars in millions, except as noted)	**June 30, 2022**	**December 31, 2021**	**Change**
Selected period-end data:			
Loans held for investment:			
Commercial and multifamily real estate	**$ 37,845**	$ 35,262	7%
Commercial and industrial	**56,128**	49,660	13
Total commercial banking	**$ 93,973**	$ 84,922	11
Nonperforming loan rate	**0.70 %**	0.82 %	(12)bps
Nonperforming asset rate[4]	**0.70**	0.82	(12)
Allowance for credit losses[2]	**$ 1,278**	$ 1,167	10%
Allowance coverage ratio	**1.36%**	1.37%	(1)bps
Deposits	**$ 38,844**	$ 44,809	(13)%
Loans serviced for others	**50,111**	48,562	3

(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) 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 is included in other liabilities on our consolidated balance sheets. Our reserve for unfunded lending commitments totaled $239 million and $165 million as of June 30, 2022 and December 31, 2021, respectively.

(3) Average yield is calculated based on annualized interest income for the period divided by average loans during the period and does not include any allocations, such as funds transfer pricing.

(4) 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 second quarter and first six months of 2022 compared to the second quarter and first six months of 2021, and changes in financial condition and credit performance between June 30, 2022 and December 31, 2021 include the following:

- *Net Interest Income:* Net interest income increased by $175 million to $635 million in the second quarter of 2022 and increased by $262 million to $1.2 billion in the first six months of 2022 primarily driven by higher average loan balances.
- *Non-Interest Income:* Non-interest income increased by $15 million to $272 million in the second quarter of 2022 and increased by $52 million to $549 million in the first six months of 2022 primarily driven by higher activity in our capital markets business.
- *Provision for Credit Losses:* Provision for credit losses increased by $441 million to $222 million in the second quarter of 2022 and increased by $652 million to $230 million in the first six months of 2022 primarily driven by an allowance build due to loan growth and continued economic uncertainty, compared to allowance releases in the first half of 2021.
- *Non-Interest Expense:* Non-interest expense increased by $68 million to $485 million in the second quarter of 2022 and increased by $137 million to $973 million in the first six months of 2022 primarily driven by continued investment in our growth strategies, infrastructure and technology.

Loans Held for Investment:

- Period-end loans held for investment increased by $9.1 billion to $94.0 billion as of June 30, 2022 from December 31, 2021 primarily driven by growth across our loan portfolio.
- Average loans held for investment increased by $15.2 billion to $89.3 billion in the second quarter of 2022 compared to the second quarter of 2021 and increased by $13.1 billion to $87.2 billion in the first six months of 2022 compared to the first six months of 2021 primarily driven by growth across our loan portfolio.

Deposits:

- Period-end deposits decreased by $6.0 billion to $38.8 billion as of June 30, 2022 from December 31, 2021 primarily driven by the transfer of deposits to our retail banking portfolio, the impact of a rising and competitive interest rate environment and seasonality.

Net Charge-Off and Nonperforming Metrics:

- The net charge-off rate increased by 25 basis points to 0.14% in the second quarter of 2022 and increased by 11 basis points to 0.10% in the first six months of 2022 primarily driven by isolated charge offs in our commercial and industrial loan portfolio.
- The nonperforming loan rate decreased by 12 basis points to 0.70% as of June 30, 2022 compared to December 31, 2021 primarily driven by higher ending loan balances and improvements in our commercial real estate portfolio.

Other Category

Other includes unallocated amounts related to our centralized Corporate Treasury group activities, such as management of our corporate investment securities 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.

Table 12 summarizes the financial results of our Other category for the periods indicated.

Table 12: Other Category Results

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions)	**2022**	**2021**	**Change**	**2022**	**2021**	**Change**
Selected income statement data:						
Net interest loss	**$ (164)**	$ (35)	**	**$ (326)**	$ (135)	141 %
Non-interest loss	**(63)**	(23)	174 %	**(127)**	(142)	(11)
Total net loss[1]	**(227)**	(58)	**	**(453)**	(277)	64
Provision (benefit) for credit losses	**1**	—	**	**(5)**	(2)	150
Non-interest expense	**41**	163	(75)	**85**	232	(63)
Loss from continuing operations before income taxes	**(269)**	(221)	22	**(533)**	(507)	5
Income tax benefit	**(141)**	(101)	40	**(362)**	(291)	24
Loss from continuing operations, net of tax	**$ (128)**	$ (120)	7	**$ (171)**	$ (216)	(21)

[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.

** Not meaningful.

Loss from continuing operations increased by $8 million to a loss of $128 million in the second quarter of 2022 compared to the second quarter of 2021.

Loss from continuing operations decreased by $45 million to a loss of $171 million in the first six months of 2022 compared to the first six months of 2021 primarily driven by a higher income tax benefit due to the relative impact of tax credits.

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 2021 Form 10-K.

We have identified the following accounting estimates 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. Our critical accounting policies and estimates are as follows:

- Loan loss reserves
- Goodwill
- Fair value
- 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 2021 Form 10-K under “MD&A—Critical Accounting Policies and Estimates.”

ACCOUNTING CHANGES AND DEVELOPMENTS

Accounting Standards Issued but Not Adopted as of June 30, 2022

Standard	Guidance	Adoption Timing and Financial Statement Impacts
TDR and Vintage Disclosures ASU No. 2022-02, Financial Instruments - Credit Losses (Topic 326): *Troubled Debt Restructuring and Vintage Disclosures* *Issued March 2022*	The amendments in this update eliminate the accounting guidance for Troubled Debt Restructurings, while enhancing disclosure requirements for certain loan refinancings and restructurings for borrowers experiencing financial difficulty. The amendments also require public entities to disclose current-period gross charge offs by year of origination for loans held for investment.	This ASU is effective for us on January 1, 2023. We plan to adopt the standard on its effective date using the modified retrospective method. We do not expect such adoption to have a material impact on our consolidated financial statements.

CAPITAL MANAGEMENT

The level and composition of our capital are determined by multiple factors, including our consolidated regulatory capital requirements as described in more detail below 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

The Company and the Banks are subject to the regulatory capital requirements established by the Board of Governors of the Federal Reserve System ("Federal Reserve") and the Office of the Comptroller of the Currency ("OCC") respectively (the "Basel III Capital Rules"). The Basel III Capital Rules implement certain capital requirements published by the Basel Committee on Banking Supervision ("Basel Committee"), along with certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act") and other capital provisions.

As a bank holding company ("BHC") with total consolidated assets of at least $250 billion but less than $700 billion and not exceeding any of the applicable risk-based thresholds, the Company is a Category III institution.

The Banks, as subsidiaries of a Category III institution, are Category III banks. Moreover, the Banks, as insured depository institutions, are subject to prompt corrective action ("PCA") capital regulations.

Basel III and United States Capital Rules

Under the Basel III Capital Rules, we must maintain a minimum common equity Tier 1 ("CET1") capital ratio of 4.5%, a Tier 1 capital ratio of 6.0% and a total capital ratio of 8.0%, in each case in relation to risk-weighted assets. In addition, we must maintain a minimum leverage ratio of 4.0% and a minimum supplementary leverage ratio of 3.0%. We are also subject to the capital conservation buffer and countercyclical capital buffer requirements as described below.

As a Category III institution, we are not subject to the Basel III Advanced Approaches framework and certain associated capital requirements, and we have elected to exclude certain elements of accumulated other comprehensive income ("AOCI") from our regulatory capital as permitted for a Category III institution.

Global systemically important banks ("G-SIBs") that are based in the U.S. are subject to an additional CET1 capital requirement known as the "G-SIB Surcharge." We are not a G-SIB based on the most recent available data and thus we are not subject to a G-SIB Surcharge.

Stress Capital Buffer Rule

The Basel III Capital Rules require banking institutions to maintain a capital conservation buffer, composed of CET1 capital, above the regulatory minimum ratios. Under the Federal Reserve's final rule to implement the stress capital buffer requirement (the "Stress Capital Buffer Rule"), the Company's "standardized approach capital conservation buffer" includes its stress

capital buffer requirement (as described below), any G-SIB Surcharge (which is not applicable to us) and the countercyclical capital buffer requirement (which is currently set at 0%). Any determination to increase the countercyclical capital buffer generally would be effective twelve months after the announcement of such an increase, unless the Federal Reserve, OCC and Federal Deposit Insurance Corporation (the "FDIC"), hereafter collectively referred to as the "Federal Banking Agencies", set an earlier effective date.

The Company's stress capital buffer requirement will be recalibrated every year based on the Company's supervisory stress test results. In particular, the Company's stress capital buffer requirement equals, subject to a floor of 2.5%, the sum of (i) the difference between the Company's starting CET1 capital ratio and its lowest projected CET1 capital ratio under the severely adverse scenario of the Federal Reserve's supervisory stress test plus (ii) the ratio of the Company's projected four quarters of common stock dividends (for the fourth to seventh quarters of the planning horizon) to the projected risk-weighted assets for the quarter in which the Company's projected CET1 capital ratio reaches its minimum under the supervisory stress test.

Based on the Company's 2021 supervisory stress test results, the Company's stress capital buffer requirement for the period beginning on October 1, 2021 through September 30, 2022 is 2.5%. Therefore, the Company's minimum capital requirements plus the standardized approach capital conservation buffer for CET1 capital, Tier 1 capital and total capital ratios under the stress capital buffer framework are 7.0%, 8.5% and 10.5%, respectively, for the period from October 1, 2021 through September 30, 2022.

Based on the Company's 2022 supervisory stress test results, the Company's stress capital buffer requirement for the period beginning on October 1, 2022 through September 30, 2023 is 3.1%. Therefore, the Company's minimum capital requirements plus the standardized approach capital conservation buffer for CET1 capital, Tier 1 capital and total capital ratios under the stress capital buffer framework are 7.6%, 9.1% and 11.1%, respectively, for the period from October 1, 2022 through September 30, 2023.

The Stress Capital Buffer Rule does not apply to the Banks. The capital conservation buffer for the Banks continues to be fixed at 2.5%. Accordingly, each Bank's minimum capital requirements plus its capital conservation buffer for CET1 capital, Tier 1 capital and total capital ratios are 7.0%, 8.5% and 10.5% respectively.

If the Company or any of the Banks fails to maintain its capital ratios above the minimum capital requirements plus the applicable capital conservation buffer requirements, it will face increasingly strict automatic limitations on capital distributions and discretionary bonus payments to certain executive officers.

As of June 30, 2022 and December 31, 2021, respectively, each of the Company and the Banks exceeded the minimum capital requirements and the capital conservation buffer requirements applicable to them, and each of the Company and the Banks were "well-capitalized." The "well-capitalized" standards applicable to the Company are established in the Federal Reserve's regulations, and the "well-capitalized" standards applicable to the Banks are established in the OCC's PCA capital requirements.

Market Risk Rule

The "Market Risk Rule" supplements the Basel III Capital Rules by requiring institutions subject to the rule to adjust their risk-based capital ratios to reflect the market risk in their trading book. The Market Risk Rule generally applies to institutions with aggregate trading assets and liabilities equal to 10% or more of total assets or $1 billion or more. As of June 30, 2022, the Company and CONA are subject to the Market Risk Rule. See "MD&A—Market Risk Profile" below for additional information.

CECL Transition Rule

The Federal Banking Agencies adopted a final rule (the "CECL Transition Rule") that provides banking institutions an optional five-year transition period to phase in the impact of the current expected credit loss ("CECL") standard on their regulatory capital (the "CECL Transition Election"). We adopted the CECL standard (for accounting purposes) as of January 1, 2020, and made the CECL Transition Election (for regulatory capital purposes) in the first quarter of 2020. Therefore, the applicable amounts presented in this Report reflect such election.

Pursuant to the CECL Transition Rule, a banking institution could elect to delay the estimated impact of adopting CECL on its regulatory capital through December 31, 2021 and then phase in the estimated cumulative impact from January 1, 2022 through December 31, 2024. For the "day 2" ongoing impact of CECL during the initial two years, the Federal Banking Agencies used a

uniform "scaling factor" of 25% as an approximation of the increase in the allowance under the CECL standard compared to the prior incurred loss methodology. Accordingly, from January 1, 2020 through December 31, 2021, electing banking institutions were permitted to add back to their regulatory capital an amount equal to the sum of the after-tax "day 1" CECL adoption impact and 25% of the increase in the allowance since the adoption of the CECL standard. From January 1, 2022 through December 31, 2024, the after-tax "day 1" CECL adoption impact and the cumulative "day 2" ongoing impact are being phased in to regulatory capital at 25% per year. The following table summarizes the capital impact delay and phase in period on our regulatory capital from years 2020 to 2025.

	Capital Impact Delayed		Phase In Period			
	2020	2021	2022	2023	2024	2025
"Day 1" CECL adoption impact	Capital impact delayed to 2022		25% Phased In	50% Phased In	75% Phased In	Fully Phased In
Cumulative "day 2" ongoing impact	25% scaling factor as an approximation of the increase in allowance under CECL					

As of December 31, 2021, we added back an aggregate amount of $2.4 billion to our regulatory capital pursuant to the CECL Transition Rule. Consistent with the rule, we phased in 25% of this amount, or $599 million, on January 1, 2022, leaving $1.8 billion to be phased in over 2023-2025. As of June 30, 2022, the Company's CET1 capital ratio, reflecting the CECL Transition Rule, was 12.1% and would have been 11.6% excluding the impact of the CECL Transition Rule (or "on a fully phased-in basis").

For the description of the regulatory capital rules to which we are subject, see "MD&A—Supervision and Regulation" of this Report as well as "Part I—Item 1. Business—Supervision and Regulation" in our 2021 Form 10-K.

Table 13 provides a comparison of our regulatory capital ratios under the Basel III Standardized Approach, the regulatory minimum capital adequacy ratios and the applicable well-capitalized standards as of June 30, 2022 and December 31, 2021.

Table 13: Capital Ratios Under Basel III[1][2]

	June 30, 2022			December 31, 2021		
	Ratio	Minimum Capital Adequacy	Well-Capitalized	Ratio	Minimum Capital Adequacy	Well-Capitalized
Capital One Financial Corp:						
Common equity Tier 1 capital[3]	**12.1 %**	**4.5 %**	**N/A**	13.1 %	4.5 %	N/A
Tier 1 capital[4]	**13.5**	**6.0**	**6.0 %**	14.5	6.0	6.0 %
Total capital[5]	**15.7**	**8.0**	**10.0**	16.9	8.0	10.0
Tier 1 leverage[6]	**11.1**	**4.0**	**N/A**	11.6	4.0	N/A
Supplementary leverage[7]	**9.4**	**3.0**	**N/A**	9.9	3.0	N/A
COBNA:						
Common equity Tier 1 capital[3]	**17.7**	**4.5**	**6.5**	16.5	4.5	6.5
Tier 1 capital[4]	**17.7**	**6.0**	**8.0**	16.5	6.0	8.0
Total capital[5]	**19.0**	**8.0**	**10.0**	18.0	8.0	10.0
Tier 1 leverage[6]	**15.8**	**4.0**	**5.0**	14.9	4.0	5.0
Supplementary leverage[7]	**13.0**	**3.0**	**N/A**	12.0	3.0	N/A
CONA:						
Common equity Tier 1 capital[3]	**11.1**	**4.5**	**6.5**	11.1	4.5	6.5
Tier 1 capital[4]	**11.1**	**6.0**	**8.0**	11.1	6.0	8.0
Total capital[5]	**12.3**	**8.0**	**10.0**	12.2	8.0	10.0
Tier 1 leverage[6]	**7.5**	**4.0**	**5.0**	7.4	4.0	5.0
Supplementary leverage[7]	**6.7**	**3.0**	**N/A**	6.6	3.0	N/A

(1) Capital requirements that are not applicable are denoted by "N/A."

(2) Ratios as of June 30, 2022 are preliminary and therefore subject to change until we file our June 30, 2022 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.

Table 14 presents regulatory capital under the Basel III Standardized Approach and regulatory capital metrics as of June 30, 2022 and December 31, 2021.

Table 14: Regulatory Risk-Based Capital Components and Regulatory Capital Metrics

(Dollars in millions)	June 30, 2022	December 31, 2021
Regulatory Capital Under Basel III Standardized Approach		
Common equity excluding AOCI	**$ 57,278**	$ 58,206
Adjustments:		
AOCI, net of tax[1]	**(72)**	(23)
Goodwill, net of related deferred tax liabilities	**(14,548)**	(14,562)
Other Intangible assets, net of related deferred tax liabilities	**(80)**	(108)
Other[2]	**(15)**	(12)
Common equity Tier 1 capital	**42,563**	43,501
Tier 1 capital instruments	**4,845**	4,845
Tier 1 capital	**47,408**	48,346
Tier 2 capital instruments	**3,235**	3,532
Qualifying allowance for credit losses	**4,457**	4,211
Tier 2 capital	**7,692**	7,743
Total capital	**$ 55,100**	$ 56,089
Regulatory Capital Metrics		
Risk-weighted assets	**$ 351,746**	$ 332,673
Adjusted average assets	**427,446**	415,141
Total leverage exposure	**501,795**	486,405

(1) Excludes certain components of AOCI in accordance with rules applicable to Category III institutions. See "MD&A—Capital Management—Basel III and United States Capital Rules" in this Report.

(2) Includes deferred tax assets deducted from regulatory capital.

Capital Planning and Regulatory Stress Testing

In January 2022, our Board of Directors authorized the repurchase of up to $5.0 billion of shares of our common stock. We repurchased approximately $2.0 billion of shares of our common stock during the second quarter of 2022 and $4.4 billion during the first six months of 2022. In April 2022, our Board of Directors authorized the repurchase of up to an additional $5.0 billion of shares of our common stock beginning in the third quarter of 2022.

On June 23, 2022, the Federal Reserve released the supervisory stress test results for the 2022 Comprehensive Capital Analysis and Review ("CCAR") cycle. Based on the Company's 2022 supervisory stress test results, the Company's stress capital buffer requirement for the period beginning on October 1, 2022 through September 30, 2023 is 3.1%. Therefore, the Company's minimum capital requirements plus the standardized approach capital conservation buffer for CET1 capital, Tier 1 capital and total capital ratios under the stress capital buffer framework are 7.6%, 9.1% and 11.1%, respectively, for the period from October 1, 2022 through September 30, 2023.

For the description of the regulatory capital planning rules and stress testing requirements to which we are subject, see "MD&A—Supervision and Regulation" in this Report as well as "Part I—Item 1. Business—Supervision and Regulation" in our 2021 Form 10-K.

Dividend Policy and Stock Purchases

In the first six months of 2022, we declared and paid common stock dividends of $490 million, or $1.20 per share, and preferred stock dividends of $114 million. The following table summarizes the dividends paid per share on our various preferred stock series in the first six months of 2022.

Table 15: Preferred Stock Dividends Paid Per Share

Series	Description	Issuance Date	Per Annum Dividend Rate	Dividend Frequency	2022	
					Q2	Q1
Series I	5.000% Non-Cumulative	September 11, 2019	5.000%	Quarterly	**$12.50**	$12.50
Series J	4.800% Non-Cumulative	January 31, 2020	4.800	Quarterly	**12.00**	12.00
Series K	4.625% Non-Cumulative	September 17, 2020	4.625	Quarterly	**11.56**	11.56
Series L	4.375% Non-Cumulative	May 4, 2021	4.375	Quarterly	**10.94**	10.94
Series M	3.950% Fixed Rate Reset Non-Cumulative	June 10, 2021	3.950% through 8/31/2026; resets 9/1/2026 and every subsequent 5 year anniversary at 5-Year Treasury Rate +3.157%	Quarterly	**9.88**	9.88
Series N	4.250% Non-Cumulative	July 29, 2021	4.250	Quarterly	**10.63**	10.63

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, regulatory requirements 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. The Banks are subject to regulatory restrictions that limit their ability to transfer funds to our BHC. As of June 30, 2022, funds available for dividend payments from COBNA and CONA were $2.3 billion and $530 million, respectively. There can be no assurance that we will declare and pay any dividends to stockholders.

In January 2022, our Board of Directors authorized the repurchase of up to $5.0 billion of shares of our common stock. We repurchased approximately $2.0 billion of shares of our common stock during the second quarter of 2022 and $4.4 billion during the first six months of 2022. In April 2022, our Board of Directors authorized the repurchase of up to an additional $5.0 billion of shares of our common stock beginning in the third quarter of 2022.

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, tender offers, 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 "MD&A—Capital Management—Capital Planning and Regulatory Stress Testing" and "Part I—Item 1. Business—Supervision and Regulation—Dividends, Stock Repurchases and Transfers of Funds" in our 2021 Form 10-K.

RISK MANAGEMENT

Risk Management Framework

Our Risk Management Framework (the "Framework") sets consistent expectations for risk management across the Company. It also sets expectations for our "Three Lines of Defense" model, which defines the roles, responsibilities and accountabilities for taking and managing risk across the Company. Accountability for overseeing an effective Framework resides with our Board of Directors either directly or through its committees.

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 Company. 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 our size, complexity and risk profile.

Our Framework consists of the following nine elements:



We provide additional discussion of our risk management principles, roles and responsibilities, framework and risk appetite under "MD&A—Risk Management" in our 2021 Form 10-K.

Risk Categories

We apply our Framework to protect the Company from the major categories of risk that we are exposed to through our business activities. We have seven major categories of risk as noted below. We provide a description of these categories and how we manage them under "MD&A—Risk Management" in our 2021 Form 10-K.

- Compliance risk
- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Reputation risk
- Strategic risk

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 ongoing 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 related to our investment securities portfolio under "MD&A—Consolidated Balance Sheets Analysis—Investment Securities" and credit risk related to derivative transactions in "Note 8—Derivative Instruments and Hedging Activities."

Portfolio and Geographic Composition of Loans Held for Investment

We provide a variety of lending products. Our primary loan products include credit cards, auto loans and commercial lending products. 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 2021 Form 10-K.

Our loan portfolio consists of loans held for investment, including loans held in our consolidated trusts, and loans held for sale. The information presented in this section excludes loans held for sale, which totaled $875 million and $5.9 billion as of June 30, 2022 and December 31, 2021, respectively.

Table 16 presents the composition of our portfolio of loans held for investment by portfolio segment as of June 30, 2022 and December 31, 2021.

Table 16: Portfolio Composition of Loans Held for Investment

	June 30, 2022		December 31, 2021	
(Dollars in millions)	**Loans**	**% of Total**	**Loans**	**% of Total**
Credit Card:				
Domestic credit card	**$ 115,004**	**38.8 %**	$ 108,723	39.2 %
International card businesses	**5,876**	**2.0**	6,049	2.2
Total credit card	**120,880**	**40.8**	114,772	41.4

(Dollars in millions)	June 30, 2022 Loans	June 30, 2022 % of Total	December 31, 2021 Loans	December 31, 2021 % of Total
Consumer Banking:				
Auto	**79,926**	**27.0**	75,779	27.3
Retail banking[1]	**1,605**	**0.5**	1,867	0.7
Total consumer banking	**81,531**	**27.5**	77,646	28.0
Commercial Banking:[1]				
Commercial and multifamily real estate	**37,845**	**12.8**	35,262	12.7
Commercial and industrial	**56,128**	**18.9**	49,660	17.9
Total commercial banking	**93,973**	**31.7**	84,922	30.6
Total loans held for investment	**$ 296,384**	**100.0 %**	$ 277,340	100.0 %

[1] Includes Paycheck Protection Program ("PPP") loans of $73 million and $37 million in our retail and commercial loan portfolios, respectively, as of June 30, 2022 and $232 million and $102 million as of December 31, 2021, respectively.

Geographic Composition

We market our credit card products throughout the United States, Canada, and the United Kingdom. Our credit card loan portfolio is geographically diversified due to our product and marketing approach. The table below presents the geographic profile of our credit card loan portfolio as of June 30, 2022 and December 31, 2021.

Table 17: Credit Card Portfolio by Geographic Region

(Dollars in millions)	June 30, 2022 Amount	June 30, 2022 % of Total	December 31, 2021 Amount	December 31, 2021 % of Total
Domestic credit card:				
California	**$ 11,813**	**9.8 %**	$ 11,096	9.7 %
Texas	**9,714**	**8.0**	9,100	7.9
Florida	**8,224**	**6.8**	7,738	6.7
New York	**7,404**	**6.1**	6,972	6.1
Pennsylvania	**4,772**	**3.9**	4,568	4.0
Illinois	**4,704**	**3.9**	4,478	3.9
Ohio	**4,121**	**3.4**	3,949	3.4
New Jersey	**3,730**	**3.1**	3,520	3.1
Georgia	**3,600**	**3.0**	3,397	3.0
Michigan	**3,465**	**2.9**	3,306	2.9
Other	**53,457**	**44.2**	50,599	44.0
Total domestic credit card	**115,004**	**95.1**	108,723	94.7
International card businesses:				
Canada	**2,979**	**2.5**	3,015	2.6
United Kingdom	**2,897**	**2.4**	3,034	2.7
Total international card businesses	**5,876**	**4.9**	6,049	5.3
Total credit card	**$ 120,880**	**100.0 %**	$ 114,772	100.0 %

Our auto loan portfolio is geographically diversified in the United States due to our product and marketing approach. Retail banking includes small business loans and other consumer lending products originated through our branch and Café network.

The table below presents the geographic profile of our auto loan and retail banking portfolios as of June 30, 2022 and December 31, 2021.

Table 18: Consumer Banking Portfolio by Geographic Region

	June 30, 2022		December 31, 2021	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Auto:				
California	**$ 9,800**	**12.0 %**	$ 9,127	11.8 %
Texas	**9,768**	**12.0**	9,292	12.0
Florida	**6,841**	**8.4**	6,443	8.3
Georgia	**3,382**	**4.1**	3,283	4.2
Pennsylvania	**3,356**	**4.1**	3,139	4.0
Ohio	**3,177**	**3.9**	3,053	3.9
Illinois	**3,133**	**3.8**	2,899	3.7
New York	**2,699**	**3.3**	2,536	3.3
Other	**37,770**	**46.4**	36,007	46.4
Total auto	**79,926**	**98.0**	$ 75,779	97.6 %
Retail banking:				
New York	**505**	**0.6**	613	0.8
Louisiana	**339**	**0.4**	363	0.4
Texas	**297**	**0.4**	383	0.5
New Jersey	**133**	**0.2**	149	0.2
Maryland	**102**	**0.1**	118	0.2
Virginia	**70**	**0.1**	93	0.1
Other	**159**	**0.2**	148	0.2
Total retail banking	**1,605**	**2.0**	1,867	2.4
Total consumer banking	**$ 81,531**	**100.0 %**	$ 77,646	100.0 %

We originate commercial and multifamily real estate loans in most regions of the United States. The table below presents the geographic profile of our commercial real estate portfolio as of June 30, 2022 and December 31, 2021.

Table 19: Commercial Real Estate Portfolio by Region

	June 30, 2022		December 31, 2021	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Geographic concentration:[1]				
Northeast	**$ 16,090**	**42.5 %**	$ 16,025	45.4 %
South	**8,015**	**21.2**	6,210	17.6
Pacific West	**5,980**	**15.8**	5,556	15.8
Mid-Atlantic	**3,220**	**8.5**	3,105	8.8
Midwest	**2,606**	**6.9**	2,863	8.1
Mountain	**1,934**	**5.1**	1,503	4.3
Total	**$ 37,845**	**100.0 %**	$ 35,262	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, RI and VT. South consists of AL, AR, FL, GA, KY, LA, MS, NC, OK, SC, TN and TX. Pacific West consists of: AK, CA, HI, OR and WA. Mid-Atlantic consists of DC, DE, MD, VA and WV. Midwest consists of: IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD and WI. Mountain consists of: AZ, CO, ID, MT, NM, NV, UT and WY.

Commercial Loans by Industry

Table 20 summarizes our commercial loans held for investment portfolio by industry classification as of June 30, 2022 and December 31, 2021. Industry classifications below are based on our interpretation of the North American Industry Classification System codes as they pertain to each individual loan.

Table 20: Commercial Loans by Industry

(Percentage of portfolio)	June 30, 2022	December 31, 2021
Industry Classification:		
Real estate	**31 %**	35 %
Finance	**28**	25
Healthcare	**8**	9
Business services	**6**	6
Educational services	**4**	4
Public administration	**4**	4
Construction and land	**3**	3
Retail trade	**3**	3
Oil and gas	**2**	2
Other	**11**	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. Trends in delinquency rates are the key credit quality indicator for our credit card and retail banking loan portfolios as changes in delinquency rates can provide an early warning of changes in potential future credit losses. The key indicator we monitor when assessing the credit quality and risk of our auto loan portfolio is borrower credit scores as they provide insight into borrower risk profiles, which give indications of potential future credit losses. The key credit quality indicator for our commercial loan portfolios is our internal risk ratings as we generally classify loans that have been delinquent for an extended period of time and other loans with significant risk of loss as nonperforming. In addition to these credit quality indicators, we also manage and monitor other credit quality metrics such as level of nonperforming loans and net charge-off rates.

We underwrite most consumer loans using proprietary models, which typically include credit bureau data, such as borrower credit scores, 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.

Table 21 provides details on the credit scores of our domestic credit card and auto loan portfolios as of June 30, 2022 and December 31, 2021.

Table 21: Credit Score Distribution

(Percentage of portfolio)	June 30, 2022	December 31, 2021
Domestic credit card—Refreshed FICO scores:[1]		
Greater than 660	**70 %**	71 %
660 or below	**30**	29
Total	**100 %**	100 %
Auto—At origination FICO scores:[2]		
Greater than 660	**52 %**	50 %
621 - 660	**20**	20
620 or below	**28**	30
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 3—Loans” for additional credit quality information and see “Note 1—Summary of Significant Accounting Policies” in our 2021 Form 10-K for information on our accounting policies for delinquent and nonperforming loans, charge-offs and troubled debt restructurings (“TDR”) 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 all loans held for investment 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 2021 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 in "MD&A—Business Segment Financial Performance."

Table 22 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 June 30, 2022 and December 31, 2021.

Table 22: 30+ Day Delinquencies

	June 30, 2022				December 31, 2021			
	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	**$ 2,707**	**2.35 %**	**$ 2,707**	**2.35 %**	$ 2,411	2.22 %	$ 2,411	2.22 %
International card businesses	**216**	**3.67**	**221**	**3.76**	207	3.42	213	3.51
Total credit card	**2,923**	**2.42**	**2,928**	**2.42**	2,618	2.28	2,624	2.29
Consumer Banking:								
Auto	**3,571**	**4.47**	**3,896**	**4.87**	3,271	4.32	3,558	4.69
Retail banking	**11**	**0.67**	**29**	**1.84**	36	1.92	60	3.20
Total consumer banking	**3,582**	**4.39**	**3,925**	**4.81**	3,307	4.26	3,618	4.66
Commercial Banking:								
Commercial and multifamily real estate	**265**	**0.70**	**338**	**0.89**	108	0.31	162	0.46
Commercial and industrial	**235**	**0.42**	**348**	**0.62**	211	0.43	281	0.57
Total commercial banking	**500**	**0.53**	**686**	**0.73**	319	0.38	443	0.52
Total	**$ 7,005**	**2.36**	**$ 7,539**	**2.54**	$ 6,244	2.25	$ 6,685	2.41

[1] Delinquency rates are calculated by dividing delinquency amounts by period-end loans held for investment for each specified loan category.

Table 23 presents our 30+ day delinquent loans, by aging and geography, as of June 30, 2022 and December 31, 2021.

Table 23: Aging and Geography of 30+ Day Delinquent Loans

	June 30, 2022		December 31, 2021	
(Dollars in millions)	**Amount**	**Rate[1]**	**Amount**	**Rate[1]**
Delinquency status:				
30 – 59 days	**$ 3,991**	**1.34 %**	$ 3,501	1.26 %
60 – 89 days	**1,862**	**0.63**	1,656	0.60
≥ 90 days	**1,686**	**0.57**	1,528	0.55
Total	**$ 7,539**	**2.54 %**	$ 6,685	2.41 %
Geographic region:				
Domestic	**$ 7,318**	**2.47 %**	$ 6,472	2.33 %
International	**221**	**0.07**	213	0.08
Total	**$ 7,539**	**2.54 %**	$ 6,685	2.41 %

[1] Delinquency rates are calculated by dividing delinquency amounts by total period-end loans held for investment.

Table 24 summarizes loans that were 90+ days delinquent as to interest or principal and still accruing interest as of June 30, 2022 and December 31, 2021. 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 ("FFIEC"), 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.

Table 24: 90+ Day Delinquent Loans Accruing Interest

	June 30, 2022		December 31, 2021	
(Dollars in millions)	**Amount**	**Rate[1]**	**Amount**	**Rate[1]**
Loan category:				
Credit card	**$ 1,284**	**1.06 %**	$ 1,192	1.04 %
Commercial banking	**20**	**0.02**	3	—
Total	**$ 1,304**	**0.44**	$ 1,195	0.43
Geographic region:				
Domestic	**$ 1,216**	**0.42**	$ 1,113	0.41
International	**88**	**1.50**	82	1.36
Total	**$ 1,304**	**0.44**	$ 1,195	0.43

[1] Delinquency rates are calculated by dividing delinquency amounts by period-end loans held for investment for each specified loan category.

Nonperforming Loans and Nonperforming Assets

Nonperforming loans include loans that have been placed on nonaccrual status. Nonperforming assets consist of nonperforming loans, repossessed assets and other foreclosed assets. See "Note 1—Summary of Significant Accounting Policies" in our 2021 Form 10-K for information on our policies for classifying loans as nonperforming for each of our loan categories.

Table 25 presents our nonperforming loans, by portfolio segment, and other nonperforming assets as of June 30, 2022 and December 31, 2021. We do not classify loans held for sale as nonperforming. We provide additional information on our credit quality metrics in "MD&A—Business Segment Financial Performance."

Table 25: Nonperforming Loans and Other Nonperforming Assets[1]

(Dollars in millions)	June 30, 2022 Amount	June 30, 2022 Rate	December 31, 2021 Amount	December 31, 2021 Rate
Nonperforming loans held for investment:[2]				
Credit Card:				
International card businesses	**$ 8**	**0.13 %**	$ 10	0.16 %
Total credit card	**8**	**0.01**	10	0.01
Consumer Banking:				
Auto	**398**	**0.50**	344	0.45
Retail banking	**42**	**2.61**	47	2.51
Total consumer banking	**440**	**0.54**	391	0.50
Commercial Banking:				
Commercial and multifamily real estate	**294**	**0.78**	383	1.09
Commercial and industrial	**361**	**0.64**	316	0.64
Total commercial banking	**655**	**0.70**	699	0.82
Total nonperforming loans held for investment[3]	**1,103**	**0.37**	1,100	0.40
Other nonperforming assets[4]	**53**	**0.02**	41	0.01
Total nonperforming assets	**$ 1,156**	**0.39**	$ 1,141	0.41

(1) We recognized interest income for loans classified as nonperforming of $11 million and $8 million in the first six months of 2022 and 2021, respectively. Interest income foregone related to nonperforming loans was $40 million and $30 million in the first six months of 2022 and 2021, 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 0.61% and 0.65% as of June 30, 2022 and December 31, 2021, respectively.

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

Net Charge-Offs

Net charge-offs consist of the amortized cost basis, excluding accrued interest, 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 credit losses when we determine the loan is uncollectible and record subsequent recoveries of previously charged off amounts as increases to the allowance for credit 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 are 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 2021 Form 10-K for information on our charge-off policy for each of our loan categories.

Table 26 presents our net charge-off amounts and rates, by portfolio segment, in the second quarter and first six months of 2022 and 2021.

Table 26: Net Charge-Offs (Recoveries)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]	Amount	Rate[1]
Credit Card:								
Domestic credit card	**$ 622**	**2.26 %**	$ 522	2.28 %	**$ 1,181**	**2.19 %**	$ 1,109	2.41 %
International card businesses	**56**	**3.82**	49	2.41	**104**	**3.51**	95	2.36
Total credit card	**678**	**2.34**	571	2.29	**1,285**	**2.26**	1,204	2.41

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Consumer Banking:								
Auto	**121**	**0.61**	(22)	(0.12)	**248**	**0.63**	56	0.17
Retail banking	**15**	**3.62**	11	1.41	**34**	**3.98**	24	1.54
Total consumer banking	**136**	**0.67**	(11)	(0.06)	**282**	**0.71**	80	0.23
Commercial Banking:								
Commercial and multifamily real estate	**(7)**	**(0.08)**	4	0.04	**(7)**	**(0.04)**	8	0.05
Commercial and industrial	**38**	**0.29**	(23)	(0.21)	**52**	**0.20**	(11)	(0.05)
Total commercial banking	**31**	**0.14**	(19)	(0.11)	**45**	**0.10**	(3)	(0.01)
Total net charge-offs	**$ 845**	**1.18**	$ 541	0.88	**$ 1,612**	**1.15**	$ 1,281	1.04
Average loans held for investment	**$ 286,110**		$ 246,463		**$ 280,756**		$ 245,207	

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

Troubled Debt Restructurings

As part of our loss mitigation efforts, we may provide short-term (one 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.

We consider the impact of all loan modifications, whether or not that modification is classified as a TDR, when estimating the credit quality of our loan portfolio and establishing allowance levels. For our Commercial Banking customers, loan modifications are also considered in the assignment of an internal risk rating.

In our Credit Card business, the majority of our credit card loans modified as 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 on the loan 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 being 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 as TDRs receive an extension, an interest rate reduction, principal reduction, or a combination of these modifications. 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 amortized cost.

In our Commercial Banking business, the majority of loans modified as 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.

As part of our response to the COVID-19 pandemic, we offered programs to accommodate customer hardship across our lines of business beginning in the first quarter of 2020. Our COVID-19 programs were designed to be short-term accommodations so that we could provide our customers with prompt relief. Also in response to the COVID-19 pandemic, additional guidance was issued by the Federal Banking Agencies and contained in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) which provided banking organizations with TDR relief for loan modifications to certain qualifying borrowers impacted by the COVID-19 pandemic.

While the majority of enrollments in our COVID-19 programs were short-term and would generally not have resulted in TDR classification under our existing policies, some of these modification would have been designated as TDRs without the relief provided by the additional guidance issued by the Federal Banking Agencies and contained in the CARES Act. Therefore, the

expiry of the guidance in the CARES Act on January 1, 2022, along with our concurrent cessation in applying the additional guidance issued by the Federal Banking Agencies, drove an increase in reported TDRs for periods ending after December 31, 2021.

Table 27 presents our amortized cost of loans modified in TDR as of June 30, 2022 and December 31, 2021, which excludes loan modifications that do not meet the definition of a TDR.

Table 27: Troubled Debt Restructurings

	June 30, 2022		December 31, 2021	
(Dollars in millions)	Amount	% of Total Modifications	Amount	% of Total Modifications
Credit Card:				
Domestic credit card	**$ 386**	**17.6 %**	$ 390	23.8 %
International card businesses	**161**	**7.3**	177	10.8
Total credit card	**547**	**24.9**	567	34.6
Consumer banking:				
Auto	**905**	**41.2**	603	36.7
Retail banking	**12**	**0.5**	13	0.8
Total consumer banking	**917**	**41.7**	616	37.5
Commercial banking	**736**	**33.4**	457	27.9
Total	**$ 2,200**	**100.0 %**	$ 1,640	100.0 %
Status of TDR:				
Performing	**$ 1,665**	**75.7 %**	$ 1,282	78.2 %
Nonperforming	**535**	**24.3**	358	21.8
Total	**$ 2,200**	**100.0 %**	$ 1,640	100.0 %

We provide additional information on modified loans accounted for as a TDR, including the performance of those loans subsequent to modification, in “Note 3—Loans.” Recently issued accounting standards eliminate the accounting guidance for TDRs effective for fiscal years beginning on or after December 15, 2022. See “MD&A—Accounting Changes and Developments” for additional information on these accounting standards, which we have not yet adopted.

Allowance for Credit Losses and Reserve for Unfunded Lending Commitments

Our allowance for credit losses represents management’s current estimate of expected credit losses over the contractual terms of our loans held for investment as of each balance sheet date. Expected recoveries of amounts previously charged off or expected to be charged off are recognized within the allowance. We also estimate expected credit losses related to unfunded lending commitments that are not unconditionally cancellable. 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. We provide additional information on the methodologies and key assumptions used in determining our allowance for credit losses in “Note 1—Summary of Significant Accounting Policies” in our 2021 Form 10-K.

Table 28 presents changes in our allowance for credit losses and reserve for unfunded lending commitments for the second quarter and first six months of 2022 and 2021, and details by portfolio segment for the provision for credit losses, charge-offs and recoveries.

Table 28: Allowance for Credit Losses and Reserve for Unfunded Lending Commitments Activity

	Three Months Ended June 30, 2022							
	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 credit losses:								
Balance as of March 31, 2022	$ 7,968	$ 312	$ 8,280	$ 1,852	$ 50	$ 1,902	$ 1,126	$ 11,308
Charge-offs	**(920)**	**(89)**	**(1,009)**	**(311)**	**(20)**	**(331)**	**(43)**	**(1,383)**
Recoveries[1]	**298**	**33**	**331**	**190**	**5**	**195**	**12**	**538**
Net charge-offs	**(622)**	**(56)**	**(678)**	**(121)**	**(15)**	**(136)**	**(31)**	**(845)**
Provision (benefit) for credit losses	**494**	**87**	**581**	**268**	**13**	**281**	**183**	**1,045**
Allowance build (release) for credit losses	**(128)**	**31**	**(97)**	**147**	**(2)**	**145**	**152**	**200**
Other changes[2]	**—**	**(17)**	**(17)**	**—**	**—**	**—**	**—**	**(17)**
Balance as of June 30, 2022	**7,840**	**326**	**8,166**	**1,999**	**48**	**2,047**	**1,278**	**11,491**
Reserve for unfunded lending commitments:								
Balance as of March 31, 2022	**—**	**—**	**—**	**—**	**—**	**—**	200	200
Provision for losses on unfunded lending commitments	**—**	**—**	**—**	**—**	**—**	**—**	**39**	**39**
Balance as of June 30, 2022	**—**	**—**	**—**	**—**	**—**	**—**	**239**	**239**
Combined allowance and reserve as of June 30, 2022	**$ 7,840**	**$ 326**	**$ 8,166**	**$ 1,999**	**$ 48**	**$ 2,047**	**$ 1,517**	**$ 11,730**

	Six Months Ended June 30, 2022							
	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 credit losses:								
Balance as of December 31, 2021	$ 7,968	$ 377	$ 8,345	$ 1,852	$ 66	$ 1,918	$ 1,167	$ 11,430
Charge-offs	**(1,787)**	**(177)**	**(1,964)**	**(637)**	**(43)**	**(680)**	**(60)**	**(2,704)**
Recoveries[1]	**606**	**73**	**679**	**389**	**9**	**398**	**15**	**1,092**
Net charge-offs	**(1,181)**	**(104)**	**(1,285)**	**(248)**	**(34)**	**(282)**	**(45)**	**(1,612)**
Provision (benefit) for credit losses	**1,053**	**73**	**1,126**	**395**	**16**	**411**	**156**	**1,693**
Allowance build (release) for credit losses	**(128)**	**(31)**	**(159)**	**147**	**(18)**	**129**	**111**	**81**
Other changes[2]	**—**	**(20)**	**(20)**	**—**	**—**	**—**	**—**	**(20)**
Balance as of June 30, 2022	**7,840**	**326**	**8,166**	**1,999**	**48**	**2,047**	**1,278**	**11,491**
Reserve for unfunded lending commitments:								
Balance as of December 31, 2021	**—**	**—**	**—**	**—**	**—**	**—**	165	165
Provision for losses on unfunded lending commitments	**—**	**—**	**—**	**—**	**—**	**—**	**74**	**74**
Balance as of June 30, 2022	**—**	**—**	**—**	**—**	**—**	**—**	**239**	**239**
Combined allowance and reserve as of June 30, 2022	**$ 7,840**	**$ 326**	**$ 8,166**	**$ 1,999**	**$ 48**	**$ 2,047**	**$ 1,517**	**$ 11,730**

	Three Months Ended June 30, 2021							
	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 credit losses:								
Balance as of March 31, 2021	$ 9,572	$ 500	$ 10,072	$ 2,405	$ 93	$ 2,498	$ 1,447	$ 14,017
Charge-offs	(874)	(93)	(967)	(245)	(15)	(260)	(8)	(1,235)
Recoveries[1]	352	44	396	267	4	271	27	694
Net recoveries (charge-offs)	(522)	(49)	(571)	22	(11)	11	19	(541)
Provision (benefit) for credit losses	(561)	(74)	(635)	(305)	(1)	(306)	(196)	(1,137)
Allowance build (release) for credit losses	(1,083)	(123)	(1,206)	(283)	(12)	(295)	(177)	(1,678)
Other changes[2]	—	7	7	—	—	—	—	7
Balance as of June 30, 2021	8,489	384	8,873	2,122	81	2,203	1,270	12,346

	Three Months Ended June 30, 2021							
	Credit Card			Consumer Banking				
(Dollars in millions)	Domestic Card	International Card Businesses	Total Credit Card	Auto	Retail Banking	Total Consumer Banking	Commercial Banking	Total
Reserve for unfunded lending commitments:								
Balance as of March 31, 2021	—	—	—	—	—	—	187	187
Provision (benefit) for losses on unfunded lending commitments	—	—	—	—	—	—	(23)	(23)
Balance as of June 30, 2021	—	—	—	—	—	—	164	164
Combined allowance and reserve as of June 30, 2021	$ 8,489	$ 384	$ 8,873	$ 2,122	$ 81	$ 2,203	$ 1,434	$ 12,510

	Six Months Ended June 30, 2021							
	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 credit losses:								
Balance as of December 31, 2020	$ 10,650	$ 541	$ 11,191	$ 2,615	$ 100	$ 2,715	$ 1,658	$ 15,564
Charge-offs	(1,778)	(182)	(1,960)	(569)	(33)	(602)	(27)	(2,589)
Recoveries[1]	669	87	756	513	9	522	30	1,308
Net recoveries (charge-offs)	(1,109)	(95)	(1,204)	(56)	(24)	(80)	3	(1,281)
Provision (benefit) for credit losses	(1,052)	(75)	(1,127)	(437)	5	(432)	(391)	(1,950)
Allowance build (release) for credit losses	(2,161)	(170)	(2,331)	(493)	(19)	(512)	(388)	(3,231)
Other changes[2]	—	13	13	—	—	—	—	13
Balance as of June 30, 2021	8,489	384	8,873	2,122	81	2,203	1,270	12,346
Reserve for unfunded lending commitments:								
Balance as of December 31, 2020	—	—	—	—	—	—	195	195
Provision (benefit) for losses on unfunded lending commitments	—	—	—	—	—	—	(31)	(31)
Balance as of June 30, 2021	—	—	—	—	—	—	164	164
Combined allowance and reserve as of June 30, 2021	$ 8,489	$ 384	$ 8,873	$ 2,122	$ 81	$ 2,203	$ 1,434	$ 12,510

(1) The amount and timing of recoveries are 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.

Allowance coverage ratios are calculated based on the allowance for credit losses for each specified portfolio segment divided by period-end loans held for investment within the specified loan category, as defined below. Table 29 presents the allowance coverage ratios as of June 30, 2022 and December 31, 2021.

Table 29: Allowance Coverage Ratios for Specified Loan Category

	June 30, 2022			December 31, 2021		
(Dollars in millions)	Allowance for Credit Losses	Amount[1]	Allowance Coverage Ratio	Allowance for Credit Losses	Amount[1]	Allowance Coverage Ratio
Credit Card	**$ 8,166**	**$ 2,928**	**278.92 %**	$ 8,345	$ 2,624	318.08 %
Consumer Banking	**2,047**	**3,925**	**52.15**	1,918	3,618	53.01
Commercial Banking	**1,278**	**655**	**195.12**	1,167	699	166.93
Total	**$ 11,491**	**296,384**	**3.88**	$ 11,430	277,340	4.12

(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 credit losses increased by $61 million to $11.5 billion as of June 30, 2022 compared to December 31, 2021. Our allowance coverage ratio decreased by 24 basis points to 3.88% as of June 30, 2022 compared to December 31, 2021 primarily driven by loan growth and continued strong credit performance in Credit Card.

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 and cash equivalents, we maintain reserves in the form of investment securities and certain loans that are either readily-marketable or pledgeable.

Table 30 below presents the composition of our liquidity reserves as of June 30, 2022 and December 31, 2021.

Table 30: Liquidity Reserves

(Dollars in millions)	June 30, 2022	December 31, 2021
Cash and cash equivalents	**$ 21,553**	$ 21,746
Investment securities available for sale, at fair value	**83,022**	95,261
FHLB borrowing capacity secured by loans	**6,941**	7,109
Outstanding FHLB advances and letters of credit secured by loans and investment securities	**(10,551)**	(8)
Other encumbrances of investment securities	**(7,758)**	(7,874)
Total liquidity reserves	**$ 93,207**	$ 116,234

Our liquidity reserves decreased by $23.0 billion to $93.2 billion as of June 30, 2022 from December 31, 2021 primarily due to a decline in our investment securities driven by the increases in interest rates and net paydowns and an increase in outstanding FHLB advances. Our liquidity reserves, which were elevated as a result of the COVID-19 pandemic, have largely returned to pre-pandemic levels. In addition to these liquidity reserves, we maintain access to a diversified mix of funding sources as discussed in the "Borrowing Capacity" and "Funding" sections below. See "MD&A—Risk Management" in our 2021 Form 10-K for additional information on our management of liquidity risk.

Liquidity Coverage Ratio

We are subject to the liquidity coverage ratio ("LCR") standard as implemented by the Federal Reserve and OCC (the "LCR Rule"). The LCR Rule requires us to calculate our LCR daily. It also requires the Company to publicly disclose, on a quarterly basis, its LCR, certain related quantitative liquidity metrics, and a qualitative discussion of its LCR. Our average LCR during the second quarter of 2022 was 144%, which 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. See "Part I—Item 1. Business—Supervision and Regulation" in our 2021 Form 10-K for additional information.

Net Stable Funding Ratio

In October 2020, the Federal Banking Agencies finalized a rule to implement the net stable funding ratio ("NSFR") in the United States (the "NSFR Rule"). The NSFR Rule requires the Company and each of the Banks to maintain an amount of available stable funding, which is a weighted measure of a company's funding sources over a one-year time horizon, calculated by applying standardized weightings to equity and liabilities based on their expected stability, that is no less than a specified percentage of its required stable funding, which is calculated by applying standardized weightings to assets, derivatives exposures and certain other items based on their liquidity characteristics. As a Category III institution, the Company and the Banks are each required to maintain available stable funding in an amount at least equal to 85% of its required stable funding. The NSFR Rule became effective on July 1, 2021 and applies to the Company and each of the Banks. The NSFR Rule includes a semi-annual public disclosure requirement, with the first disclosure due 45 days after the end of the second quarter of 2023. The Company and the Banks exceeded the NSFR Rule requirement as of June 30, 2022.

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. As of June 30, 2022, our shelf registration associated with our credit card securitization trust allowed us to periodically offer and sell up to $30 billion of securitized debt obligations

and our shelf registration associated with our auto loan securitization trusts allowed us to periodically offer and sell up to $25 billion of securitized debt obligations. The registered amounts under these shelf registration statements are subject to continuing review and change in the future, including as part of the routine renewal process.

In addition to our issuance capacity under the shelf registration statements, we also have access to FHLB advances, the Federal Reserve Discount Window and the Fixed Income Clearing Corporation's general collateral financing repurchase agreement service. The ability to borrow utilizing these sources is based on membership status and the amount is dependent upon the Banks' ability to post collateral. As of June 30, 2022, we pledged both loans and securities to the FHLB to secure a maximum borrowing capacity of $18.7 billion, of which $10.6 billion was used. Our FHLB membership is supported by our investment in FHLB stock of $424 million and $32 million as of June 30, 2022 and December 31, 2021, respectively, which was determined in part based on our outstanding advances. As of June 30, 2022, we pledged loans to secure a borrowing capacity of $22.1 billion under the Federal Reserve Discount Window. Our membership with the Federal Reserve is supported by our investment in Federal Reserve stock, which totaled $1.3 billion as of both June 30, 2022 and December 31, 2021.

Deposits

Table 31 provides a comparison of average balances, interest expense and average deposits interest rates for the second quarter and first six months of 2022 and 2021.

Table 31: Deposits Composition and Average Deposits Interest Rates

	Three Months Ended June 30,					
	2022			2021		
(Dollars in millions)	Average Balance	Interest Expense	Average Deposits Interest Rate	Average Balance	Interest Expense	Average Deposits Interest Rate
Interest-bearing checking accounts[1]	$ 47,267	$ 28	0.24 %	$ 44,795	$ 18	0.16 %
Saving deposits[2]	202,069	205	0.40	204,737	156	0.31
Time deposits	18,768	60	1.28	23,944	63	1.04
Total interest-bearing deposits	$ 268,104	$ 293	0.44	$ 273,476	$ 237	0.35

	Six Months Ended June 30,					
	2022			2021		
(Dollars in millions)	Average Balance	Interest Expense	Average Deposits Interest Rate	Average Balance	Interest Expense	Average Deposits Interest Rate
Interest-bearing checking accounts[1]	$ 48,330	$ 48	0.20 %	$ 43,463	$ 37	0.17 %
Saving deposits[2]	203,651	359	0.35	203,213	316	0.31
Time deposits	17,972	104	1.17	26,741	153	1.15
Total interest-bearing deposits	$ 269,953	$ 511	0.38	$ 273,417	$ 506	0.37

(1) Includes negotiable order of withdrawal accounts.

(2) Includes money market deposit accounts.

The FDIC limits the acceptance of brokered deposits to well-capitalized insured depository institutions and, with a waiver from the FDIC, to adequately-capitalized institutions. Both COBNA and CONA were well-capitalized, as defined under the federal banking regulatory guidelines, as of June 30, 2022 and December 31, 2021. See "Part I—Item 1. Business—Supervision and Regulation" in our 2021 Form 10-K for additional information. We provide additional information on the composition of deposits in "MD&A—Consolidated Balance Sheets Analysis—Funding Sources Composition" and in "Note 7—Deposits and Borrowings."

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 and securitized debt obligations, 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.

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 have access to short-term and long-term FHLB advances secured by certain investment securities, multifamily real estate loans and commercial real estate loans.

Our short-term borrowings, which includes those borrowings with an original contractual maturity of one year or less and do not include the current portion of long-term debt and consists of federal funds purchased and securities loaned or sold under agreements to repurchase, decreased by $380 million to $440 million as of June 30, 2022 from December 31, 2021 driven by a decrease in repurchase agreements.

Our long-term funding, which primarily consists of securitized debt obligations and senior and subordinated notes, increased by $16.2 billion to $58.5 billion as of June 30, 2022 from December 31, 2021 primarily driven by FHLB advances, net issuances of senior and subordinates notes, and net issuances in our credit card and auto securitization programs. We provide more information on our securitization activity in "Note 5—Variable Interest Entities and Securitizations."

The following table summarizes issuances of securitized debt obligations, senior and subordinated notes and their respective maturities or redemptions for the second quarter and first six months of 2022 and 2021. We did not have any such issuances for the second quarter and first six months of 2021.

Table 32: Long-Term Debt Funding Activities

	Issuances		Maturities/Redemptions	
	Three Months Ended June 30,		Three Months Ended June 30,	
(Dollars in millions)	2022	2021	2022	2021
Securitized debt obligations	$ 4,250	$ —	$ 395	$ 1,502
Senior and subordinated notes	4,000	—	—	585
FHLB advances	10,500	—	—	—
Total	$ 18,750	$ —	$ 395	$ 2,087

	Issuances		Maturities/Redemptions	
	Six Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2022	2021	2022	2021
Securitized debt obligations	$ 6,500	$ —	$ 3,593	$ 1,773
Senior and subordinated notes	7,050	—	2,357	2,085
FHLB advances	10,500	—	—	—
Total	$ 24,050	$ —	$ 5,950	$ 3,858

Credit Ratings

Our credit ratings impact our ability to access capital markets and our borrowing costs. Rating agencies assign their ratings based 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 33 provides a summary of the credit ratings for the senior unsecured long-term debt of Capital One Financial Corporation, COBNA and CONA as of June 30, 2022 and December 31, 2021.

Table 33: Senior Unsecured Long-Term Debt Credit Ratings

	June 30, 2022			December 31, 2021		
	Capital One Financial Corporation	**COBNA**	**CONA**	**Capital One Financial Corporation**	**COBNA**	**CONA**
Moody's	**Baa1**	**A3**	**A3**	Baa1	A3	A3
S&P	**BBB**	**BBB+**	**BBB+**	BBB	BBB+	BBB+
Fitch	**A-**	**A**	**A**	A-	A	A

As of July 25, 2022, Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") have our credit ratings on a stable outlook.

Other Commitments

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. Our operating leases expire at various dates through 2071 and certain of these leases also have extension or termination options. As of June 30, 2022 and December 31, 2021, we had $1.5 billion and $1.7 billion, respectively, in aggregate operating lease liabilities. We provide more information on our lease activity in "Note 7—Premises, Equipment and Leases" in our 2021 Form 10-K.

We have purchase obligations that represents substantial agreements to purchase goods or receive services such as data management, media and other software and third-party services that are enforceable and legally binding and specify significant terms. As of June 30, 2022 and December 31, 2021, we had $1.0 billion and $1.5 billion, respectively, in aggregate purchase obligation liabilities.

As of June 30, 2022 and December 31, 2021, our total unfunded lending commitments were $402.9 billion and $414.5 billion, respectively, primarily consisting 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. 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 additional information, refer to "Note 13—Commitments, Contingencies, Guarantees and Others" in this Report.

We also enter into various contractual arrangements that may require future cash payments, including short-term obligations such as trade payables, commitments to fund certain equity investments, obligations for pension and post-retirement benefit plans, and representation and warranty reserves. These arrangements are discussed in more detail in "Note 5—Variable Interest Entities and Securitizations" and "Note 13—Commitments, Contingencies, Guarantees and Others" in this Report and "Note 14—Employee Benefit Plans" in our 2021 Form 10-K.

MARKET RISK PROFILE

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;
- 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 values 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 which could include 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 net interest income resulting from movements in interest rates. 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 net interest income, we assume a hypothetical instantaneous parallel shift in the level of interest rates detailed in Table 34 below. At the current level of interest rates, our net interest income is expected to increase modestly in higher rate scenarios and decrease modestly in lower rate scenarios. Our current sensitivity to upward shocks has decreased as compared to December 31, 2021, mainly due to the increase in market interest rates.

Economic Value of Equity Sensitivity

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 34 below. Our current economic value of equity sensitivity profile demonstrates that our economic value of equity decreases in all interest rate scenarios. Our current economic value of equity sensitivity to upward shocks in higher rate scenarios became more negative as compared to December 31, 2021, mainly due to the increase in long-term interest rates.

Table 34 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 June 30, 2022 and December 31, 2021. In instances where an interest rate scenario would result in a rate less than 0%, we assume a rate of 0% for that scenario. This assumption applies only to jurisdictions that do not have negative policy rates. In jurisdictions that have negative policy rates, we do not floor interest rates at 0%. Due to recent increases in interest rates, we incorporated a scenario where interest rates decrease by 100 basis points into our interest rate sensitivity analysis as of June 30, 2022.

Table 34: Interest Rate Sensitivity Analysis

	June 30, 2022	December 31, 2021
Estimated impact on projected baseline net interest income:		
+200 basis points	**0.2 %**	3.4 %
+100 basis points	**0.7**	2.5
+50 basis points	**0.3**	1.5
–50 basis points	**(0.4)**	(1.8)
–100 basis points	**(0.7)**	N/A
Estimated impact on economic value of equity:		
+200 basis points	**(5.0)**	(0.7)
+100 basis points	**(0.9)**	1.9
+50 basis points	**(0.3)**	1.4
–50 basis points	**(0.1)**	(2.6)
–100 basis points	**(0.7)**	N/A

In addition to these industry standard measures, we also consider the potential impact of alternative interest rate scenarios, such as stressed rate shocks as well as steepening and flattening yield curve scenarios in our internal interest rate risk management decisions.

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 our 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 8—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 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 (“EUR”)-denominated borrowings.

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 631 million GBP and 520 million GBP as of June 30, 2022 and December 31, 2021, respectively, and 1.5 billion CAD and 5.0 billion CAD as of June 30, 2022 and December 31, 2021, respectively. Our EUR-denominated borrowings outstanding were 1.2 billion EUR as of both June 30, 2022 and December 31, 2021.

Our non-dollar equity investments in foreign operations expose our balance sheet to translation risk in AOCI and our 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 equity invested in our foreign operations net of related net investment hedges where applicable. Our gross equity exposures in our U.K. and Canadian operations were 1.8 billion GBP as of both June 30, 2022 and December 31, 2021, and 2.2 billion CAD and 1.9 billion CAD as of June 30, 2022 and December 31, 2021, 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 a 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 8—Derivative Instruments and Hedging Activities."

London Interbank Offered Rate ("LIBOR") Transition

On July 27, 2017, the U.K. Financial Conduct Authority ("FCA"), 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 panel banks to contribute LIBOR data beyond December 31, 2021.

On March 5, 2021, the ICE Benchmark Administration ("IBA"), the administrator of LIBOR, confirmed its intention to cease publication of the 1-week and 2-month U.S. dollar ("USD") LIBOR settings immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR tenors (overnight; 1, 3, 6, and 12 months) immediately following the LIBOR publication on June 30, 2023. The continuation of USD LIBOR as a representative rate into mid-2023 will allow many legacy USD LIBOR contracts to mature prior to cessation. Following IBA's announcement, the FCA formally announced the future permanent cessation and loss of representativeness of LIBOR benchmarks. The Federal Banking Agencies issued further guidance that banking organizations should cease using USD LIBOR as a reference rate in new contracts as soon as practicable and in any event by December 31, 2021. Consistent with the Federal Banking Agencies' guidance, we ceased entering into new contracts referencing USD LIBOR as a reference rate as of January 1, 2022, subject to certain permissible exceptions.

Our enterprise LIBOR transition program team, which has been working on this effort since 2018 and includes senior management representatives from across the enterprise, provides monthly reporting to senior management and quarterly reporting to our Board of Directors. The information provided to senior management and the Board of Directors includes exposure reporting, updates on progress toward our goals to reduce our LIBOR exposure and relevant regulatory or industry developments.

Our LIBOR transition effort is focused on proactively transitioning exposures to an alternative rate or incorporating transition language ("fallback language") to provide a contractual mechanism for transitioning upon the LIBOR cessation. Our fallback language aligns with the language recommended by the Alternative Reference Rates Committee ("ARRC") in our existing lending contracts and the International Swaps and Derivatives Association ("ISDA") in our derivative contracts and agreements to the greatest extent possible.

We continue to focus our LIBOR transition efforts on:

- monitoring established controls to prevent the origination of LIBOR indexed instruments
- working with impacted customers and counterparties to remediate remaining LIBOR contracts
- engaging with our clients, industry working groups, and regulators

- assessing the proposed rule issued by the Federal Reserve pursuant to the implementation of the Adjustable Interest Rate (LIBOR) Act passed by Congress earlier this year in which the Federal Reserve recommends benchmark replacement rates for covered derivative transactions and cash transactions where a practicable interest rate fallback method has not been established by June 30, 2023, including those in which a government-sponsored enterprise is a party.

The majority of LIBOR contracts that we have transitioned to alternative rates have employed the Secured Overnight Financing Rate ("SOFR"). In the U.S., SOFR has been selected as the preferred alternative rate by the ARRC for certain U.S. dollar derivative and cash instruments. We have proactively worked with customers and prepared our systems, models, valuation tools and processes to focus originations on SOFR and other non-LIBOR rates and will continue to do so. While the majority of our non-LIBOR transactions have utilized SOFR, we have also employed credit sensitive alternative rates to LIBOR, to a limited extent, in response to customer demand.

To track transition status, instruments are categorized based on whether they have fallback language (which may or may not adhere to the ISDA and ARRC standards) or have no fallback language. Instruments with no fallback language represent a higher risk for not transitioning from LIBOR by June 30, 2023. The majority of the instruments maturing after June 30, 2023 are derivatives and commercial loans, which are summarized in the table below. Of these instruments, the majority contain fallback language which adheres to the ISDA and ARRC standards. The LIBOR Act provides a means for transitioning contracts that lack fallback language and which we are not able to otherwise remediate prior to LIBOR cessation. We will continue to focus on reducing our LIBOR exposures through our transition efforts, normal operations and customer interactions.

Table 35: LIBOR Exposures on Derivatives and Commercial Loans

(Dollars in millions)	June 30, 2022		
Exposure Type[1]	**Total LIBOR Commitments**	**Total LIBOR Commitments Maturing after June 30, 2023**	**Total LIBOR Commitments Maturing after June 30, 2023 Without Fallback Language**
Derivatives	**$ 84,458**	**$ 54,953**	**$ 12,467**
Commercial loans	**63,696**	**51,279**	**1,608**
Total	**$ 148,154**	**$ 106,232**	**$ 14,075**

(Dollars in millions)	December 31, 2021		
Exposure Type[1]	**Total LIBOR Commitments**	**Total LIBOR Commitments Maturing after June 30, 2023**	**Total LIBOR Commitments Maturing after June 30, 2023 Without Fallback Language**
Derivatives	$ 103,562	$ 64,605	$ 14,536
Commercial loans	101,488	71,874	2,047
Total	$ 205,050	$ 136,479	$ 16,583

(1) Commercial loan balances represent maximum potential exposures and derivatives represent notional exposure.

These transition efforts have been implemented to remediate our remaining LIBOR contracts by June 30, 2023. 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—*The transition away from LIBOR may adversely affect our business*" in our 2021 Form 10-K.

SUPERVISION AND REGULATION

Stress Capital Buffer Rule Update

On June 23, 2022, the Federal Reserve released the results of its supervisory stress tests for the 2022 cycle. Based on the Company's 2022 supervisory stress test results, the Company's stress capital buffer requirement for the period beginning on October 1, 2022 through September 30, 2023 is 3.1%. Therefore, the Company's minimum capital requirements plus the standardized approach capital conservation buffer for CET1 capital, Tier 1 capital and total capital ratios under the stress capital buffer framework are 7.6%, 9.1% and 11.1%, respectively, for the period from October 1, 2022 through September 30, 2023.

Deposit Insurance Assessments Update

On June 21, 2022, the FDIC issued a notice of proposed rulemaking that would increase initial base deposit insurance assessment rates by 2 basis points, beginning with the first quarterly assessment period of 2023. The FDIC, as required under the Federal Deposit Insurance Act, established a plan in September 2020 to restore the Deposit Insurance Fund ("DIF") reserve ratio to meet or exceed the statutory minimum of 1.35 percent within eight years. This plan did not include an increase in the deposit insurance assessment rate. Based on the FDIC's recent projections, however, the FDIC determined that the DIF reserve ratio is at risk of not reaching the statutory minimum by the statutory deadline of September 30, 2028 without increasing the deposit insurance assessment rates. The increased assessment would improve the likelihood that the DIF reserve ratio would reach the required minimum by the statutory deadline, consistent with the FDIC's Amended Restoration Plan.

We provide additional information on our Supervision and Regulation in our 2021 Form 10-K under "Part I—Item 1. Business—Supervision and Regulation" and in our Quarterly Report on Form 10-Q for the period ended March 31, 2022 under "Part I—Item 2. 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, operating 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.

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 2021 Form 10-K. You should carefully consider the factors discussed below, and in our Risk Factors or other disclosure, in evaluating these forward-looking statements.

Numerous factors could cause our 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 our business, financial condition and results of operations may persist for an extended period or worsen, including labor shortages and disruption of global supply chains, and could impact our estimates of lifetime expected credit losses in our loan portfolios required in computing our allowance for credit losses;
- general economic and business conditions in our 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 our ability to receive dividends from our subsidiaries;
- our ability to manage adequate capital or liquidity levels, which could have a negative impact on our financial results and our ability to return capital to our stockholders;
- the extensive use, reliability, disruption, and accuracy of the models and data on which we rely;

- 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 us;
- the amount and rate of deposit growth and changes in deposit costs;
- our ability to execute on our strategic and operational plans;
- our response to competitive pressures;
- our 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;
- our success in integrating acquired businesses and loan portfolios, and our ability to realize anticipated benefits from announced transactions and strategic partnerships;
- our ability to maintain a compliance, operational, technology and organizational infrastructure suitable for the nature of our business;
- the success of our marketing efforts in attracting and retaining customers;
- our risk management strategies;
- changes in the reputation of, or expectations regarding, the financial services industry or us 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;
- the transition away from the London Interbank Offered Rate;
- our ability to attract, retain and motivate skilled employees;
- climate change manifesting as physical or transition risks;
- our assumptions or estimates in our financial statements;
- the soundness of other financial institutions and other third parties; and
- other risk factors identified from time to time in our public disclosures, including in the reports that we file with the SEC.

We expect that the effects of the COVID-19 pandemic will heighten the risks associated with many of these factors.

SUPPLEMENTAL TABLES

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)	June 30, 2022	December 31, 2021
Tangible Common Equity (Period-End):		
Stockholders' equity	**$ 53,410**	$ 61,029
Goodwill and other intangible assets[1]	**(14,850)**	(14,907)
Noncumulative perpetual preferred stock	**(4,845)**	(4,845)
Tangible common equity	**$ 33,715**	$ 41,277
Tangible Common Equity (Quarterly Average):		
Stockholders' equity	**$ 54,165**	$ 62,498
Goodwill and other intangible assets[1]	**(14,875)**	(14,847)
Noncumulative perpetual preferred stock	**(4,845)**	(5,552)
Tangible common equity	**$ 34,445**	$ 42,099
Tangible Assets (Period-End):		
Total assets	**$ 440,288**	$ 432,381
Goodwill and other intangible assets[1]	**(14,850)**	(14,907)
Tangible assets	**$ 425,438**	$ 417,474
Tangible Assets (Quarterly Average):		
Total assets	**$ 435,327**	$ 427,845
Goodwill and other intangible assets[1]	**(14,875)**	(14,847)
Tangible assets	**$ 420,452**	$ 412,998
Non-GAAP Ratio:		
Tangible common equity ("TCE")[2]	**7.9 %**	9.9 %

(1) Includes impact of related deferred taxes.

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

Glossary and Acronyms

Alternative Reference Rates Committee: A group of private-market participants convened by the Federal Reserve Board and the Federal Reserve Bank of New York that has recommended SOFR as the preferred alternative to replace U.S. dollar (USD) LIBOR referenced instruments.

Amortized cost: The amount at which a financing receivable or investment is originated or acquired, adjusted for applicable accrued interest, accretion, or amortization of premium, discount, and net deferred fees or costs, collection of cash, write-offs, foreign exchange and fair value hedge accounting adjustments.

Annual Report: References to our "2021 Form 10-K" or "2021 Annual Report" are to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

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 Category I and II institutions. Category III institutions, such as us, are no longer subject to the Basel III Advanced Approaches framework effective January 1, 2020.

Basel III Capital Rules: The regulatory capital requirements established by the Federal Banking Agencies in July 2013 to implement 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 Rules modified Basel I to create the Basel III Standardized Approach.

Capital One or the **Company:** Capital One Financial Corporation and its subsidiaries.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"): Legislation signed into law on March 27, 2020, which expired on January 1, 2022. This law, while in effect, among other things, authorized a number of lending programs to support the flow of credit to consumers and businesses and gave the banking organizations an option to temporarily suspend the determination of certain qualified loans modified as a result of COVID-19 as being TDR, which was extended by the Consolidated Appropriations Act 2021.

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, net of any related reserves. Loans held for sale are recorded at either fair value (if we elect the fair value option) or at the lower of cost or fair value.

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 was effective for us on January 1, 2020.

CECL Transition Rule: A rule adopted by the Federal Banking Agencies and effective in 2020 that provides banking institutions an optional five-year transition period to phase in the impact of the CECL standard on their regulatory capital.

COBNA: Capital One Bank (USA), National Association, one of our fully owned subsidiaries, which offers credit card products along with other lending products and consumer services.

Common equity Tier 1 ("CET1") 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 other 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 to current or projected financial condition and resilience arising from an obligor's failure to meet the terms of any contract with the Company or otherwise 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.

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 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").

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 a Moody's long-term rating of Baa3 or better; and/or a S&P long-term rating of BBB- or better; and/or a Fitch 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 ("LCR") 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 the 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.

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 business segment results derived from our internal management accounting and reporting process, which employs various allocation methodologies, including funds transfer pricing, to assign certain balance sheet assets, deposits and other liabilities and their related revenues and expenses directly or indirectly attributable to each business segment. The results of our individual businesses reflect the manner in which management evaluates performance and makes decisions about funding our operations and allocating resources and are intended to reflect each segment as if it were a stand-alone business.

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.

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 charge-off rate: Represents (annualized) net charge-offs divided by average loans held for investment for the period. Negative net charge-offs and related rates are captioned as net recoveries.

Net interest margin: Represents (annualized) net interest income divided by average interest-earning assets for the period.

NSFR Rule: The Federal Banking Agencies issued a rule in October 2020 implementing the net stable funding ratio ("NSFR"). The NSFR measures the stability of our funding profile and requires us to maintain minimum amounts of stable funding to support our assets, commitments and derivatives exposures over a one-year period.

Nonperforming loans: Generally include loans that have been placed on nonaccrual status. We do not report loans classified as held for sale as nonperforming.

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

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.

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 the business locations and/or activities being exited.

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.

Stress capital buffer: A component of our new standardized approach capital conservation buffer, which will be recalibrated annually based on the results of our supervisory stress tests.

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.

Tangible common equity: A non-GAAP financial measure. Common equity less goodwill and other intangible assets adjusted for deferred tax liabilities associated with non-tax deductible intangible assets and tax deductible goodwill.

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.

U.S. Real Gross Domestic Product ("GDP") Rate: Is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year.

Variable interest entity ("VIE"): An entity that, by design, either (i) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties; or (ii) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights; and/or (iii) do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

Acronyms

ABS: Asset-backed securities
AOCI: Accumulated other comprehensive income
ARRC: Alternative Reference Rates Committee
ASU: Accounting Standards Update
ASC: Accounting Standards Codification
ATM: Automated teller machine
BHC: Bank holding company
bps: Basis points
CAD: Canadian dollar
CARES: Coronavirus Aid, Relief, and Economic Security
CCAR: Comprehensive Capital Analysis and Review
CCP: Central Counterparty Clearinghouse, or Central Clearinghouse
CDE: Community development entities
CECL: Current expected credit loss
CET1: Common equity Tier 1 capital
CMBS: Commercial mortgage-backed securities
CME: Chicago Mercantile Exchange
COEP: Capital One (Europe) plc
COF: Capital One Financial Corporation
COVID-19: Coronavirus disease of 2019
CVA: Credit valuation adjustment
DCF: Discounted cash flow
DIF: Deposit Insurance Fund
DVA: Debit valuation adjustment
EUR: Euro
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
FFIEC: Federal Financial Institutions Examination Council
FHLB: Federal Home Loan Banks
Fitch: Fitch Ratings
Freddie Mac: Federal Home Loan Mortgage Corporation
GAAP: Generally accepted accounting principles in the U.S.
GBP: Pound sterling
GDP: U.S. Real Gross Domestic Product
Ginnie Mae: Government National Mortgage Association
G-SIB: Global systemically important banks
GSE or Agency: Government-sponsored enterprise
IBA: ICE Benchmark Administration
ICE: Intercontinental Exchange

IRM: Independent Risk Management
ISDA: International Swaps and Derivatives Association
LCH: LCH Group
LCR: Liquidity coverage ratio
LIBOR: London Interbank Offered Rate
LTV: Loan-to-Value
MDL: Multi-district litigation
Moody's: Moody's Investors Service
MSRs: Mortgage servicing rights
NSFR: Net stable funding ratio
OCC: Office of the Comptroller of the Currency
OTC: Over-the-counter
PCA: Prompt corrective action
PCCR: Purchased credit card relationship
PPI: Payment protection insurance
PPP: Paycheck Protection Program
RMBS: Residential mortgage-backed securities
RSU: Restricted stock unit
S&P: Standard & Poor's
SEC: U.S. Securities and Exchange Commission
SOFR: Secured Overnight Financing Rate
TCE: Tangible common equity
TDR: Troubled debt restructuring
U.K.: United Kingdom
U.K. GDPR: U.K. General Data Protection Regulation
U.S.: United States of America
USD: United States Dollar
VIE: Variable interest entity
XBRL: Extensible business reporting language

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CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in millions, except per share-related data)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Interest income:				
Loans, including loans held for sale	**$ 6,605**	$ 5,753	**$ 12,972**	$
Investment securities	**435**	370	**837**	
Other	**55**	16	**70**	
Total interest income	**7,095**	6,139	**13,879**	
Interest expense:				
Deposits	**293**	237	**511**	
Securitized debt obligations	**65**	28	**94**	
Senior and subordinated notes	**194**	122	**325**	
Other borrowings	**26**	9	**35**	
Total interest expense	**578**	396	**965**	
Net interest income	**6,517**	5,743	**12,914**	
Provision (benefit) for credit losses	**1,085**	(1,160)	**1,762**	
Net interest income after provision for credit losses	**5,432**	6,903	**11,152**	
Non-interest income:				
Interchange fees, net	**1,201**	1,016	**2,234**	
Service charges and other customer-related fees	**415**	384	**815**	
Other	**99**	231	**442**	
Total non-interest income	**1,715**	1,631	**3,491**	
Non-interest expense:				
Salaries and associate benefits	**1,946**	1,781	**3,972**	
Occupancy and equipment	**481**	523	**994**	
Marketing	**1,003**	620	**1,921**	
Professional services	**458**	341	**855**	
Communications and data processing	**339**	315	**678**	
Amortization of intangibles	**14**	5	**28**	
Other	**342**	381	**686**	
Total non-interest expense	**4,583**	3,966	**9,134**	
Income from continuing operations before income taxes	**2,564**	4,568	**5,509**	
Income tax provision	**533**	1,031	**1,075**	
Income from continuing operations, net of tax	**2,031**	3,537	**4,434**	
Income (loss) from discontinued operations, net of tax	**0**	(1)	**0**	
Net income	**2,031**	3,536	**4,434**	
Dividends and undistributed earnings allocated to participating securities	**(25)**	(30)	**(53)**	
Preferred stock dividends	**(57)**	(60)	**(114)**	
Net income available to common stockholders	**$ 1,949**	$ 3,446	**$ 4,267**	$
Basic earnings per common share:				
Net income from continuing operations	**$ 4.98**	$ 7.65	**$ 10.65**	$
Net income (loss) per basic common share	**$ 4.98**	$ 7.65	**$ 10.65**	$
Diluted earnings per common share:				
Net income from continuing operations	**$ 4.96**	$ 7.62	**$ 10.61**	$
Net income (loss) per diluted common share	**$ 4.96**	$ 7.62	**$ 10.61**	$

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income	**$ 2,031**	$ 3,536	**$ 4,434**	$ 6,861
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on securities available for sale	**(2,288)**	51	**(5,541)**	(1,097)
Net unrealized losses on hedging relationships	**(483)**	(51)	**(1,692)**	(632)
Foreign currency translation adjustments	**(52)**	9	**(57)**	28
Other	**0**	0	**0**	(1)
Other comprehensive income (loss), net of tax	**(2,823)**	9	**(7,290)**	(1,702)
Comprehensive income (loss)	**$ (792)**	$ 3,545	**$ (2,856)**	$ 5,159

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in millions, except per share-related data)	June 30, 2022	December 31, 2021
Assets:		
Cash and cash equivalents:		
Cash and due from banks	**$ 4,825**	$ 4,164
Interest-bearing deposits and other short-term investments	**16,728**	17,582
Total cash and cash equivalents	**21,553**	21,746
Restricted cash for securitization investors	**697**	308
Securities available for sale (amortized cost of $89.9 billion and $94.9 billion and allowance for credit losses of $3 million and $1 million as of June 30, 2022 and December 31, 2021, respectively)	**83,022**	95,261
Loans held for investment:		
Unsecuritized loans held for investment	**271,339**	252,468
Loans held in consolidated trusts	**25,045**	24,872
Total loans held for investment	**296,384**	277,340
Allowance for credit losses	**(11,491)**	(11,430)
Net loans held for investment	**284,893**	265,910
Loans held for sale ($767 million and $1.0 billion carried at fair value as of June 30, 2022 and December 31, 2021, respectively)	**875**	5,888
Premises and equipment, net	**4,238**	4,210
Interest receivable	**1,611**	1,460
Goodwill	**14,778**	14,782
Other assets	**28,621**	22,816
Total assets	**$ 440,288**	$ 432,381
Liabilities:		
Interest payable	**$ 333**	$ 281
Deposits:		
Non-interest-bearing deposits	**37,004**	38,043
Interest-bearing deposits	**270,881**	272,937
Total deposits	**307,885**	310,980
Securitized debt obligations	**17,466**	14,994
Other debt:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	**440**	820
Senior and subordinated notes	**30,489**	27,219
Other borrowings	**10,543**	53
Total other debt	**41,472**	28,092
Other liabilities	**19,722**	17,005
Total liabilities	**386,878**	371,352
Commitments, contingencies and guarantees (see Note 13)		
Stockholders' equity:		
Preferred stock (par value $0.01 per share; 50,000,000 shares authorized; 4,975,000 shares issued and outstanding as of both June 30, 2022 and December 31, 2021)	**0**	0
Common stock (par value $0.01 per share; 1,000,000,000 shares authorized; 688,277,408 and 685,057,944 shares issued as of June 30, 2022 and December 31, 2021, respectively; 383,817,721 and 413,858,537 shares outstanding as of June 30, 2022 and December 31, 2021, respectively)	**7**	7
Additional paid-in capital, net	**34,425**	34,112
Retained earnings	**54,836**	51,006
Accumulated other comprehensive income (loss)	**(6,916)**	374
Treasury stock, at cost (par value $0.01 per share; 304,459,687 and 271,199,407 shares as of June 30, 2022 and December 31, 2021, respectively)	**(28,942)**	(24,470)
Total stockholders' equity	**53,410**	61,029
Total liabilities and stockholders' equity	**$ 440,288**	$ 432,381

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(Dollars in millions)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance as of December 31, 2021	4,975,000	$ 0	685,057,944	$ 7	$ 34,112	$ 51,006	$ 374	$ (24,470)	$ 61,029
Comprehensive income (loss)						2,403	(4,467)		(2,064)
Dividends—common stock[1]			18,408	0	2	(253)			(251)
Dividends—preferred stock						(57)			(57)
Purchases of treasury stock								(2,484)	(2,484)
Issuances of common stock and restricted stock, net of forfeitures			2,517,691	0	68				68
Exercises of stock options			7,809	0	1				1
Compensation expense for restricted stock units					103				103
Balance as of March 31, 2022	4,975,000	$ 0	687,601,852	$ 7	$ 34,286	$ 53,099	$ (4,093)	$ (26,954)	$ 56,345
Comprehensive income (loss)						**2,031**	**(2,823)**		**(792)**
Dividends—common stock[1]			**4,083**	**0**	**1**	**(237)**			**(236)**
Dividends—preferred stock						**(57)**			**(57)**
Purchases of treasury stock								**(1,988)**	**(1,988)**
Issuances of common stock and restricted stock, net of forfeitures			**671,473**	**0**	**70**				**70**
Compensation expense for restricted stock units					**68**				**68**
Balance as of June 30, 2022	**4,975,000**	**$ 0**	**688,277,408**	**$ 7**	**$ 34,425**	**$ 54,836**	**$ (6,916)**	**$ (28,942)**	**$ 53,410**

(Dollars in millions)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance as of December 31, 2020	4,975,000	$ 0	679,932,837	$ 7	$ 33,480	$ 40,088	$ 3,494	$ (16,865)	$ 60,204
Comprehensive income (loss)						3,325	(1,711)		1,614
Dividends—common stock[1]			13,356	0	1	(185)			(184)
Dividends—preferred stock						(61)			(61)
Purchases of treasury stock								(575)	(575)
Issuances of common stock and restricted stock, net of forfeitures			2,531,966	0	60				60
Exercises of stock options			283,398	0	19				19
Compensation expense for restricted stock units					111				111
Balance as of March 31, 2021	4,975,000	$ 0	682,761,557	$ 7	$ 33,671	$ 43,167	$ 1,783	$ (17,440)	$ 61,188
Comprehensive income (loss)						3,536	9		3,545
Dividends—common stock[1]			4,954	0	1	(182)			(181)
Dividends—preferred stock						(60)			(60)
Purchases of treasury stock								(1,668)	(1,668)
Issuances of common stock and restricted stock, net of forfeitures			583,779	0	60				60
Exercises of stock options			209,528	0	15				15
Issuances of preferred stock	1,675,000	0			1,641				1,641
Compensation expense for restricted stock units					84				84
Balance as of June 30, 2021	6,650,000	$ 0	683,559,818	$ 7	$ 35,472	$ 46,461	$ 1,792	$ (19,108)	$ 64,624

[1] We declared dividends per share on our common stock of $0.60 and $0.40 in the second quarter of 2022 and 2021,respectively, and $1.20 and $0.80 in the first six months of 2022 and 2021, respectively.

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in millions)	Six Months Ended June 30, 2022	2021
Operating activities:		
Income from continuing operations, net of tax	**$ 4,434**	$ 6,864
Income (loss) from discontinued operations, net of tax	**0**	(3)
Net income	**4,434**	6,861
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Provision (benefit) for credit losses	**1,762**	(1,983)
Depreciation and amortization, net	**1,623**	1,714
Deferred tax provision (benefit)	**(11)**	574
Net securities losses (gains)	**6**	(4)
Gain on sales of loans	**(181)**	(5)
Stock-based compensation expense	**172**	206
Other (including (gains) and losses from equity investments)	**20**	38
Loans held for sale:		
Originations and purchases	**(4,040)**	(3,233)
Proceeds from sales and paydowns	**4,354**	3,707
Changes in operating assets and liabilities:		
Changes in interest receivable	**(151)**	99
Changes in other assets	**(5,578)**	(3,183)
Changes in interest payable	**52**	(51)
Changes in other liabilities	**414**	957
Net change from discontinued operations	**(1)**	(3)
Net cash from operating activities	**2,875**	5,694
Investing activities:		
Securities available for sale:		
Purchases	**(7,698)**	(18,185)
Proceeds from paydowns and maturities	**10,129**	14,142
Proceeds from sales	**2,240**	595
Loans:		
Net changes in loans originated as held for investment	**(17,352)**	(5,160)
Principal recoveries of loans previously charged off	**1,092**	1,308
Net purchases of premises and equipment	**(423)**	(341)
Net cash from acquisition activities	**0**	(24)
Net cash used in other investing activities	**(490)**	(26)
Net cash used in investing activities	**(12,502)**	(7,691)

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Dollars in millions)	Six Months Ended June 30, 2022	2021
Financing activities:		
Deposits and borrowings:		
Changes in deposits	**$ (2,913)**	$ 945
Issuance of securitized debt obligations	**6,483**	0
Maturities and paydowns of securitized debt obligations	**(3,593)**	(1,773)
Issuance of senior and subordinated notes and long-term FHLB advances	**17,528**	0
Maturities and paydowns of senior and subordinated notes and long-term FHLB advances	**(2,357)**	(2,085)
Changes in other borrowings	**(391)**	161
Common stock:		
Net proceeds from issuances	**138**	120
Dividends paid	**(487)**	(365)
Preferred stock:		
Net proceeds from issuances	**0**	1,641
Dividends paid	**(114)**	(121)
Purchases of treasury stock	**(4,472)**	(2,243)
Proceeds from share-based payment activities	**1**	34
Net cash from (used in) financing activities	**9,823**	(3,686)
Changes in cash, cash equivalents and restricted cash for securitization investors	**196**	(5,683)
Cash, cash equivalents and restricted cash for securitization investors, beginning of the period	**22,054**	40,771
Cash, cash equivalents and restricted cash for securitization investors, end of the period	**$ 22,250**	$ 35,088
Supplemental cash flow information:		
Non-cash items:		
Net transfers from loans held for investment to loans held for sale	**$ 775**	$ 4,575
Interest paid	**969**	1,145
Income tax paid	**473**	1,013

See 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" or "Capital One") offer a broad array of financial products and services to consumers, small businesses and commercial clients through digital channels, branch locations, Cafés and other distribution channels. As of June 30, 2022, our principal subsidiaries included:

- Capital One Bank (USA), National Association ("COBNA"), which offers credit card products along with other lending products and consumer services; 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 12—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.

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 2021 Annual Report on Form 10-K ("2021 Form 10-K").

Newly Adopted Accounting Standards During the Six Months Ended June 30, 2022

Standard	Guidance	Adoption Timing and Financial Statement Impacts
Fair Value Hedging ASU No. 2022-01, Derivatives and Hedging (Topic 815): *Fair Value Hedging - Portfolio Layering Method* *Issued March 2022*	The amendments in this ASU establish the portfolio-layer method which provides flexibility to achieve fair value hedge accounting for multiple hedged layers within a single closed portfolio of financial assets.	We adopted this guidance in the second quarter of 2022 using the prospective method of adoption. Our adoption of this standard did not have an impact on our consolidated financial statements as any designation of portfolio layer method hedges would be applied prospectively.

NOTE 2—INVESTMENT SECURITIES

Our investment securities portfolio consists of the following: U.S. government-sponsored enterprise or agency ("Agency") and non-agency residential mortgage-backed securities ("RMBS"), Agency commercial mortgage-backed securities ("CMBS"), U.S. Treasury securities 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 Agency and U.S. Treasury securities represented 97% and 96% of our total investment securities portfolio as of June 30, 2022 and December 31, 2021 respectively.

The table below presents the amortized cost, allowance for credit losses, gross unrealized gains and losses, and fair value aggregated by major security type as of June 30, 2022 and December 31, 2021. Accrued interest receivable of $204 million and $207 million as of June 30, 2022 and December 31, 2021, respectively, is not included in the table below.

Table 2.1: Investment Securities Available for Sale

	June 30, 2022				
(Dollars in millions)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment securities available for sale:					
U.S. Treasury securities	**$ 8,664**	**$ 0**	**$ 4**	**$ (44)**	**$ 8,624**
RMBS:					
Agency	**71,215**	**0**	**93**	**(6,603)**	**64,705**
Non-agency	**687**	**(3)**	**140**	**(2)**	**822**
Total RMBS	**71,902**	**(3)**	**233**	**(6,605)**	**65,527**
Agency CMBS	**8,060**	**0**	**8**	**(494)**	**7,574**
Other securities[1]	**1,307**	**0**	**1**	**(11)**	**1,297**
Total investment securities available for sale	**$ 89,933**	**$ (3)**	**$ 246**	**$ (7,154)**	**$ 83,022**

	December 31, 2021				
(Dollars in millions)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment securities available for sale:					
U.S. Treasury securities	$ 9,419	$ 0	$ 23	$ 0	$ 9,442
RMBS:					
Agency	72,593	0	958	(931)	72,620
Non-agency	792	(1)	205	0	996
Total RMBS	73,385	(1)	1,163	(931)	73,616
Agency CMBS	9,237	0	195	(63)	9,369
Other securities[1]	2,830	0	6	(2)	2,834
Total investment securities available for sale	$ 94,871	$ (1)	$ 1,387	$ (996)	$ 95,261

(1) Includes $566 million and $2.0 billion of asset-backed securities ("ABS") as of June 30, 2022 and December 31, 2021 respectively. The remaining amount is primarily comprised of supranational bonds and foreign government bonds.

Investment Securities in a Gross Unrealized Loss Position

The table below provides the gross unrealized losses and fair value of our securities available for sale aggregated by major security type and the length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2022 and December 31, 2021. The amounts include securities available for sale without an allowance for credit losses.

Table 2.2: Securities in a Gross Unrealized Loss Position

	June 30, 2022					
	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 without an allowance for credit losses:						
U.S. Treasury securities	**$ 4,098**	**$ (44)**	**$ 0**	**$ 0**	**$ 4,098**	**$ (44)**
RMBS:						
Agency	**45,363**	**(4,001)**	**16,238**	**(2,602)**	**61,601**	**(6,603)**
Non-agency	**19**	**(1)**	**0**	**0**	**19**	**(1)**
Total RMBS	**45,382**	**(4,002)**	**16,238**	**(2,602)**	**61,620**	**(6,604)**
Agency CMBS	**5,929**	**(345)**	**1,201**	**(149)**	**7,130**	**(494)**
Other securities[1]	**957**	**(11)**	**0**	**0**	**957**	**(11)**
Total investment securities available for sale in a gross unrealized loss position without an allowance for credit losses[2]	**$ 56,366**	**$ (4,402)**	**$ 17,439**	**$ (2,751)**	**$ 73,805**	**$ (7,153)**

	December 31, 2021					
	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 without an allowance for credit losses:						
RMBS:						
Agency	$ 37,492	$ (632)	$ 8,606	$ (299)	$ 46,098	$ (931)
Non-agency	3	0	1	0	4	0
Total RMBS	37,495	(632)	8,607	(299)	46,102	(931)
Agency CMBS	2,999	(36)	803	(27)	3,802	(63)
Other securities[1]	1,207	(2)	0	0	1,207	(2)
Total investment securities available for sale in a gross unrealized loss position without an allowance for credit losses[2]	$ 41,701	$ (670)	$ 9,410	$ (326)	$ 51,111	$ (996)

(1) Includes primarily ABS, foreign government bonds, and supranational bonds.

(2) Consists of approximately 2,500 and 740 securities in gross unrealized loss positions as of June 30, 2022 and December 31, 2021, respectively.

Maturities and Yields of Investment Securities

The table below summarizes, as of June 30, 2022, the fair value of our investment securities by major security type and contractual maturity as well as the total fair value, amortized cost and weighted-average yields of our investment securities by contractual maturity. 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 2.3: Contractual Maturities and Weighted-Average Yields of Securities

	June 30, 2022				
(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	$ 3,893	$ 4,731	$ 0	$ 0	$ 8,624
RMBS[1]:					
Agency	0	106	1,100	63,499	64,705
Non-agency	0	0	0	822	822
Total RMBS	0	106	1,100	64,321	65,527
Agency CMBS[1]	285	1,897	3,690	1,702	7,574
Other securities	221	835	241	0	1,297
Total securities available for sale	$ 4,399	$ 7,569	$ 5,031	$ 66,023	$ 83,022
Amortized cost of securities available for sale	$ 4,399	$ 7,705	$ 5,365	$ 72,464	$ 89,933
Weighted-average yield for securities available for sale	0.83 %	1.27 %	2.02 %	2.09 %	1.95 %

(1) As of June 30, 2022, the weighted-average expected maturities of RMBS and Agency CMBS were 6.7 years and 5.4 years, respectively.

Net Securities Gains or Losses and Proceeds from Sales

For the three and six months ended June 30, 2022, total proceeds from sales of our securities were $1.8 billion and $2.2 billion, respectively, with losses of $6 million for both periods, respectively. Total proceeds from sales of our securities were $595 million, with gains of $4 million for the six months ended June 30, 2021. We had no sales of securities for the three months ended June 30, 2021.

Securities Pledged and Received

We pledged investment securities totaling $20.0 billion and $20.8 billion as of June 30, 2022 and December 31, 2021, respectively. These securities are primarily pledged to secure Public Funds deposits and Federal Home Loan Banks ("FHLB") advances, as well as for other purposes as required or permitted by law. We accepted pledges of securities with a fair value of approximately $28 million and $1 million as of June 30, 2022 and December 31, 2021, respectively, related to our derivative transactions.

NOTE 3—LOANS

Our loan portfolio consists of loans held for investment, including loans held in our consolidated trusts, and loans held for sale. We further divide our loans held for investment 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. Commercial banking loans consist of commercial and multifamily real estate as well as commercial and industrial loans. The information presented in this section excludes loans held for sale, which are carried at either fair value (if we elect the fair value option) or at the lower of cost or fair value.

Accrued interest receivable of $1.4 billion and $1.2 billion as of June 30, 2022 and December 31, 2021, respectively, is not included in the tables in this note. The table below presents the composition and aging analysis of our loans held for investment portfolio as of June 30, 2022 and December 31, 2021. The delinquency aging includes all past due loans, both performing and nonperforming.

Table 3.1: Loan Portfolio Composition and Aging Analysis

	June 30, 2022					
		Delinquent Loans				
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Credit Card:						
Domestic credit card	$ 112,297	$ 896	$ 615	$ 1,196	$ 2,707	$ 115,004
International card businesses	5,655	82	48	91	221	5,876
Total credit card	117,952	978	663	1,287	2,928	120,880
Consumer Banking:						
Auto	76,030	2,566	1,084	246	3,896	79,926
Retail banking	1,576	10	1	18	29	1,605
Total consumer banking	77,606	2,576	1,085	264	3,925	81,531
Commercial Banking:						
Commercial and multifamily real estate	37,507	212	70	56	338	37,845
Commercial and industrial	55,780	225	44	79	348	56,128
Total commercial banking	93,287	437	114	135	686	93,973
Total loans[1]	$ 288,845	$ 3,991	$ 1,862	$ 1,686	$ 7,539	$ 296,384
% of Total loans	97.46 %	1.34 %	0.63 %	0.57 %	2.54 %	100.00 %

	December 31, 2021					
		Delinquent Loans				
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Credit Card:						
Domestic credit card	$ 106,312	$ 773	$ 528	$ 1,110	$ 2,411	$ 108,723
International card businesses	5,836	77	50	86	213	6,049
Total credit card	112,148	850	578	1,196	2,624	114,772
Consumer Banking:						
Auto	72,221	2,385	933	240	3,558	75,779
Retail banking	1,807	35	7	18	60	1,867
Total consumer banking	74,028	2,420	940	258	3,618	77,646

(Dollars in millions)	December 31, 2021					
		Delinquent Loans				
	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Commercial Banking:						
Commercial and multifamily real estate	35,100	92	35	35	162	35,262
Commercial and industrial	49,379	139	103	39	281	49,660
Total commercial banking	84,479	231	138	74	443	84,922
Total loans[1]	$ 270,655	$ 3,501	$ 1,656	$ 1,528	$ 6,685	$ 277,340
% of Total loans	97.59 %	1.26 %	0.60 %	0.55 %	2.41 %	100.00 %

(1) Loans include unamortized premiums and discounts, and unamortized deferred fees and costs totaling $1.4 billion as of both June 30, 2022 and December 31, 2021.

The following table presents our loans held for investment that are 90 days or more past due that continue to accrue interest, loans that are classified as nonperforming and loans that are classified as nonperforming without an allowance as of June 30, 2022 and December 31, 2021. Nonperforming loans generally include loans that have been placed on nonaccrual status.

Table 3.2: 90+ Day Delinquent Loans Accruing Interest and Nonperforming Loans

(Dollars in millions)	June 30, 2022			December 31, 2021		
	≥ 90 Days and Accruing	Nonperforming Loans[1]	Nonperforming Loans Without an Allowance	≥ 90 Days and Accruing	Nonperforming Loans[1]	Nonperforming Loans Without an Allowance
Credit Card:						
Domestic credit card	**$ 1,196**	**N/A**	**$ 0**	$ 1,110	N/A	$ 0
International card businesses	**88**	**$ 8**	**0**	82	$ 10	0
Total credit card	**1,284**	**8**	**0**	1,192	10	0
Consumer Banking:						
Auto	**0**	**398**	**0**	0	344	0
Retail banking	**0**	**42**	**8**	0	47	4
Total consumer banking	**0**	**440**	**8**	0	391	4
Commercial Banking:						
Commercial and multifamily real estate	**20**	**294**	**266**	3	383	268
Commercial and industrial	**0**	**361**	**214**	0	316	257
Total commercial banking	**20**	**655**	**480**	3	699	525
Total	**$ 1,304**	**$ 1,103**	**$ 488**	$ 1,195	$ 1,100	$ 529
% of Total loans held for investment	**0.44 %**	**0.37 %**	**0.16 %**	0.43 %	0.40 %	0.19 %

(1) We recognized interest income for loans classified as nonperforming of $1 million and $11 million for the three and six months ended June 30, 2022, respectively, and $3 million and $8 million for the three and six months ended June 30, 2021, respectively.

Credit Quality Indicators

We closely monitor economic conditions and loan performance trends to assess and manage our exposure to credit risk. We discuss these risks and our credit quality indicator for each portfolio segment below.

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 the U.S. Real Gross

Domestic Product ("GDP") Rate, as well as consumers' financial condition, all of which can have a material effect on credit performance. The key indicator we assess in monitoring the credit quality and risk of our credit card loan portfolio is delinquency trends, including an analysis of loan migration between delinquency categories over time.

The table below presents our credit card portfolio by delinquency status as of June 30, 2022 and December 31, 2021.

Table 3.3: Credit Card Delinquency Status

	June 30, 2022			December 31, 2021		
(Dollars in millions)	Revolving Loans	Revolving Loans Converted to Term	Total	Revolving Loans	Revolving Loans Converted to Term	Total
Credit Card:						
Domestic credit card:						
Current	**$ 112,027**	**$ 270**	**$ 112,297**	$ 105,985	$ 327	$ 106,312
30-59 days	**884**	**12**	**896**	760	13	773
60-89 days	**607**	**8**	**615**	519	9	528
Greater than 90 days	**1,186**	**10**	**1,196**	1,100	10	1,110
Total domestic credit card	**114,704**	**300**	**115,004**	108,364	359	108,723
International card businesses:						
Current	**5,621**	**34**	**5,655**	5,795	41	5,836
30-59 days	**79**	**3**	**82**	73	4	77
60-89 days	**45**	**3**	**48**	47	3	50
Greater than 90 days	**88**	**3**	**91**	82	4	86
Total international card businesses	**5,833**	**43**	**5,876**	5,997	52	6,049
Total credit card	**$ 120,537**	**$ 343**	**$ 120,880**	$ 114,361	$ 411	$ 114,772

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 as well as consumers' financial condition, all of which can have a material effect on credit performance. The key indicator we monitor when assessing the credit quality and risk of our auto loan portfolio is borrower credit scores as they measure the creditworthiness of borrowers. Delinquency trends are the key indicator we assess in monitoring the credit quality and risk of our retail banking loan portfolio.

The table below presents our consumer banking portfolio of loans held for investment by credit quality indicator as of June 30, 2022 and December 31, 2021. We present our auto loan portfolio by FICO scores at origination and our retail banking loan portfolio by delinquency status, which includes all past due loans, both performing and nonperforming.

Table 3.4: Consumer Banking Portfolio by Credit Quality Indicator

	June 30, 2022									
	Term Loans by Vintage Year									
(Dollars in millions)	2022	2021	2020	2019	2018	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Auto—At origination FICO scores:[1]										
Greater than 660	$ 12,004	$ 17,114	$ 6,768	$ 3,519	$ 1,615	$ 740	$ 41,760	$ 0	$ 0	$ 41,760
621-660	3,982	6,134	2,874	1,566	757	381	15,694	0	0	15,694
620 or below	4,799	7,877	4,927	2,831	1,312	726	22,472	0	0	22,472
Total auto	20,785	31,125	14,569	7,916	3,684	1,847	79,926	0	0	79,926
Retail banking—Delinquency status:										
Current	126	173	99	150	141	555	1,244	326	6	1,576
30-59 days	0	0	0	0	0	1	1	9	0	10
60-89 days	0	0	0	0	0	0	0	1	0	1
Greater than 90 days	0	0	1	0	3	9	13	4	1	18
Total retail banking[2]	126	173	100	150	144	565	1,258	340	7	1,605
Total consumer banking	$ 20,911	$ 31,298	$ 14,669	$ 8,066	$ 3,828	$ 2,412	$ 81,184	$ 340	$ 7	$ 81,531

	December 31, 2021								
	Term Loans by Vintage Year								
(Dollars in millions)	2021	2020	2019	2018	2017	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Auto—At origination FICO scores:[1]										
Greater than 660	$ 20,758	$ 8,630	$ 4,739	$ 2,394	$ 1,153	$ 301	$ 37,975	$ 0	$ 0	$ 37,975
621-660	7,456	3,721	2,109	1,084	537	157	15,064	0	0	15,064
620 or below	9,522	6,336	3,767	1,840	949	326	22,740	0	0	22,740
Total auto	37,736	18,687	10,615	5,318	2,639	784	75,779	0	0	75,779
Retail banking—Delinquency status:										
Current	285	171	172	161	176	491	1,456	345	6	1,807
30-59 days	0	2	2	7	0	1	12	23	0	35
60-89 days	0	4	0	0	0	2	6	1	0	7
Greater than 90 days	0	1	0	1	1	9	12	4	2	18
Total retail banking[2]	285	178	174	169	177	503	1,486	373	8	1,867
Total consumer banking	$ 38,021	$ 18,865	$ 10,789	$ 5,487	$ 2,816	$ 1,287	$ 77,265	$ 373	$ 8	$ 77,646

(1) Amounts 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.

(2) Includes Paycheck Protection Program ("PPP") loans of $73 million and $232 million as of June 30, 2022 and December 31, 2021, respectively.

Commercial Banking

The key credit quality indicator for our commercial loan portfolios is our internal risk ratings. 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 credit 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.

The following table presents our commercial banking portfolio of loans held for investment by internal risk ratings as of June 30, 2022 and December 31, 2021. The internal risk rating status includes all past due loans, both performing and nonperforming.

Table 3.5: Commercial Banking Portfolio by Internal Risk Ratings

	June 30, 2022									
	Term Loans by Vintage Year									
(Dollars in millions)	2022	2021	2020	2019	2018	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Internal risk rating:[1]										
Commercial and multifamily real estate										
Noncriticized	$ 5,997	$ 4,866	$ 1,769	$ 2,602	$ 1,825	$ 3,443	$ 20,502	$ 14,144	$ 25	$ 34,671
Criticized performing	289	241	271	385	269	1,374	2,829	51	0	2,880
Criticized nonperforming	103	0	5	7	19	160	294	0	0	294
Total commercial and multifamily real estate	6,389	5,107	2,045	2,994	2,113	4,977	23,625	14,195	25	37,845
Commercial and industrial										
Noncriticized	11,980	8,692	5,339	4,115	2,244	4,046	36,416	17,229	33	53,678
Criticized performing	518	227	276	381	172	97	1,671	418	0	2,089
Criticized nonperforming	95	40	20	93	42	18	308	53	0	361
Total commercial and industrial	12,593	8,959	5,635	4,589	2,458	4,161	38,395	17,700	33	56,128
Total commercial banking[2]	$ 18,982	$ 14,066	$ 7,680	$ 7,583	$ 4,571	$ 9,138	$ 62,020	$ 31,895	$ 58	$ 93,973

	December 31, 2021									
	Term Loans by Vintage Year									
(Dollars in millions)	2021	2020	2019	2018	2017	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Internal risk rating:[1]										
Commercial and multifamily real estate										
Noncriticized	$ 6,590	$ 2,924	$ 3,393	$ 2,401	$ 793	$ 3,538	$ 19,639	$ 12,286	$ 0	$ 31,925
Criticized performing	248	195	329	317	261	1,478	2,828	101	25	2,954
Criticized nonperforming	0	0	88	20	9	266	383	0	0	383
Total commercial and multifamily real estate	6,838	3,119	3,810	2,738	1,063	5,282	22,850	12,387	25	35,262
Commercial and industrial										
Noncriticized	12,662	7,039	5,506	2,750	1,730	3,033	32,720	14,310	59	47,089
Criticized performing	279	188	838	207	120	167	1,799	456	0	2,255
Criticized nonperforming	32	52	85	93	6	10	278	38	0	316
Total commercial and industrial	12,973	7,279	6,429	3,050	1,856	3,210	34,797	14,804	59	49,660
Total commercial banking[2]	$ 19,811	$ 10,398	$ 10,239	$ 5,788	$ 2,919	$ 8,492	$ 57,647	$ 27,191	$ 84	$ 84,922

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

(2) Includes PPP loans of $37 million and $102 million as of June 30, 2022 and December 31, 2021, respectively.

Troubled Debt Restructurings

As part of our loss mitigation efforts, we may provide short-term (one 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.

We consider the impact of all loan modifications, whether or not that modification is classified as a troubled debt restructuring ("TDR"), when estimating the credit quality of our loan portfolio and establishing allowance levels. For our Commercial Banking customers, loan modifications are also considered in the assignment of an internal risk rating.

Additional guidance issued by the Federal Banking Agencies and contained in the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provided banking organizations with TDR relief for loan modifications to certain qualifying borrowers impacted by the COVID-19 pandemic. The guidance in the CARES Act expired on January 1, 2022 at which time we also concurrently ceased applying the additional guidance issued by the Federal Banking Agencies.

Total recorded TDRs were $2.2 billion and $1.6 billion as of June 30, 2022 and December 31, 2021, respectively. TDRs classified as performing in our credit card and consumer banking loan portfolios totaled $1.3 billion and $1.1 billion as of June 30, 2022 and December 31, 2021, respectively. TDRs classified as performing in our commercial banking loan portfolio totaled $333 million and $192 million as of June 30, 2022 and December 31, 2021, respectively. Commitments to lend additional funds on loans modified in a TDR totaled $166 million and $168 million as of June 30, 2022 and December 31, 2021, respectively.

The following tables present the major modification types, amortized cost amounts and financial effects of loans modified in a TDR during the three and six months ended June 30, 2022 and 2021.

Table 3.6: Troubled Debt Restructurings

		Three Months Ended June 30, 2022			
		Reduced Interest Rate		Term Extension	
(Dollars in millions)	Total Loans Modified[1]	% of TDR Activity[2]	Average Rate Reduction	% of TDR Activity[2]	Average Term Extension (Months)
Credit Card:					
Domestic credit card	$ 57	100 %	15.56 %	N/A	N/A
International card businesses	30	100	27.65	N/A	N/A
Total credit card	87	100	19.70	N/A	N/A
Consumer Banking:					
Auto	280	49	8.56	97 %	4
Total consumer banking	280	49	8.56	97	4
Commercial Banking:					
Commercial and multifamily real estate	133	N/A	N/A	91	14
Commercial and industrial	129	N/A	N/A	33	13
Total commercial banking	262	N/A	N/A	62	14
Total	$ 629				

		Six Months Ended June 30, 2022			
		Reduced Interest Rate		Term Extension	
(Dollars in millions)	Total Loans Modified[1]	% of TDR Activity[2]	Average Rate Reduction	% of TDR Activity[2]	Average Term Extension (Months)
Credit Card:					
Domestic credit card	$ 119	100 %	15.09 %	N/A	N/A
International card businesses	64	100	27.83	N/A	N/A
Total credit card	183	100	19.54	N/A	N/A
Consumer Banking:					
Auto	519	52	8.68	97 %	4
Retail banking	1	N/A	N/A	100	12
Total consumer banking	520	52	8.68	97	4
Commercial Banking:					
Commercial and multifamily real estate	264	4	0.29	77	13
Commercial and industrial	167	N/A	N/A	45	12
Total commercial banking	431	2	0.29	64	13
Total	$ 1,134				

(Dollars in millions)	Total Loans Modified[1]	Three Months Ended June 30, 2021			
		Reduced Interest Rate		Term Extension	
		% of TDR Activity[2]	Average Rate Reduction	% of TDR Activity[2]	Average Term Extension (Months)
Credit Card:					
Domestic credit card	$ 33	100 %	16.07 %	N/A	N/A
International card businesses	27	100	27.45	N/A	N/A
Total credit card	60	100	21.22	N/A	N/A
Consumer Banking:					
Auto	65	39	8.62	91 %	4
Retail banking	1	N/A	N/A	100	41
Total consumer banking	66	38	8.62	91	4
Commercial Banking:					
Commercial and industrial	34	N/A	N/A	56	17
Total commercial banking	34	N/A	N/A	56	17
Total	$ 160				

(Dollars in millions)	Total Loans Modified[1]	Six Months Ended June 30, 2021			
		Reduced Interest Rate		Term Extension	
		% of TDR Activity[2]	Average Rate Reduction	% of TDR Activity[2]	Average Term Extension (Months)
Credit Card:					
Domestic credit card	$ 77	100 %	16.10 %	N/A	N/A
International card businesses	66	100	27.62	N/A	N/A
Total credit card	143	100	21.43	N/A	N/A
Consumer Banking:					
Auto	180	36	8.87	94 %	3
Retail banking	1	31	3.77	69	28
Total consumer banking	181	36	8.85	94	3
Commercial Banking:					
Commercial and multifamily real estate	20	N/A	N/A	100	14
Commercial and industrial	78	N/A	N/A	38	8
Total commercial banking	98	N/A	N/A	51	11
Total	$ 422				

(1) Represents the amortized cost of total loans modified in TDR at the end of the period 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 modification.

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

Subsequent Defaults of Completed TDR Modifications

The following table presents the type, number and amortized cost of loans modified in a TDR 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 3.7: TDR—Subsequent Defaults

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
(Dollars in millions)	Number of Contracts	Amount	Number of Contracts	Amount	Number of Contracts	Amount	Number of Contracts	Amount
Credit Card:								
Domestic credit card	**8,012**	**$ 17**	4,226	$ 8	**14,024**	**$ 28**	9,360	$ 18
International card businesses	**19,611**	**20**	14,827	23	**36,118**	**39**	32,029	51
Total credit card	**27,623**	**37**	19,053	31	**50,142**	**67**	41,389	69
Consumer Banking:								
Auto	**3,539**	**63**	2,271	35	**5,510**	**96**	4,302	64
Retail banking	**0**	**0**	3	0	**0**	**0**	8	0
Total consumer banking	**3,539**	**63**	2,274	35	**5,510**	**96**	4,310	64
Commercial Banking:								
Commercial and multifamily real estate	**0**	**0**	1	50	**0**	**0**	1	50
Commercial and industrial	**2**	**4**	6	82	**3**	**35**	6	82
Total commercial banking	**2**	**4**	7	132	**3**	**35**	7	132
Total	**31,164**	**$ 104**	21,334	$ 198	**55,655**	**$ 198**	45,706	$ 265

Loans Pledged

We pledged loan collateral of $10.2 billion and $10.3 billion to secure a portion of of our FHLB borrowing capacity of $18.7 billion and $19.7 billion as of June 30, 2022 and December 31, 2021, respectively. We also pledged loan collateral of $34.5 billion and $26.5 billion to secure our Federal Reserve Discount Window borrowing capacity of $22.1 billion and $19.6 billion as of June 30, 2022 and December 31, 2021, respectively. In addition to loans pledged, we have securitized a portion of our credit card and auto loan portfolios. See “Note 5—Variable Interest Entities and Securitizations” for additional information.

Revolving Loans Converted to Term Loans

For the three and six months ended June 30, 2022, we converted $41 million and $332 million of revolving loans to term loans, respectively, primarily in our domestic credit card and commercial banking loan portfolios. For the three and six months ended June 30, 2021, we converted $38 million and $135 million of revolving loans to term loans, respectively, primarily in our domestic credit card and commercial banking loan portfolios.

NOTE 4—ALLOWANCE FOR CREDIT LOSSES AND RESERVE FOR UNFUNDED LENDING COMMITMENTS

Our allowance for credit losses represents management's current estimate of expected credit losses over the contractual terms of our loans held for investment as of each balance sheet date. Expected recoveries of amounts previously charged off or expected to be charged off are recognized within the allowance. Significant judgment is applied in our estimation of lifetime credit losses. When developing an estimate of expected credit losses, we use both quantitative and qualitative methods in considering all available information relevant to assessing collectability. This may include internal information, external information or a combination of both relating to past events, current conditions, and reasonable and supportable forecasts. Management will consider and may qualitatively adjust for conditions, changes and trends in loan portfolios that may not be captured in modeled results. These adjustments are referred to as qualitative factors and represent management's judgment of the imprecision and risks inherent in the processes and assumptions used in establishing the allowance for credit losses.

We have unfunded lending commitments in our Commercial Banking business that are not unconditionally cancellable by us and for which we estimate expected credit losses in establishing a reserve. This reserve is measured using the same measurement objectives as the allowance for loans held for investment. We build or release the reserve for unfunded lending commitments through 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 2021 Form 10-K for further discussion of the methodology and policy for determining our allowance for credit losses for each of our loan portfolio segments, as well as information on our reserve for unfunded lending commitments.

Allowance for Credit Losses and Reserve for Unfunded Lending Commitments Activity

The table below summarizes changes in the allowance for credit losses and reserve for unfunded lending commitments by portfolio segment for the three and six months ended June 30, 2022 and 2021. Our allowance for credit losses increased by $61 million to $11.5 billion as of June 30, 2022 from December 31, 2021.

Table 4.1: Allowance for Credit Losses and Reserve for Unfunded Lending Commitments Activity

	Three Months Ended June 30, 2022			
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Total
Allowance for credit losses:				
Balance as of March 31, 2022	$ 8,280	$ 1,902	$ 1,126	$ 11,308
Charge-offs	**(1,009)**	**(331)**	**(43)**	**(1,383)**
Recoveries[1]	**331**	**195**	**12**	**538**
Net charge-offs	**(678)**	**(136)**	**(31)**	**(845)**
Provision (benefit) for credit losses	**581**	**281**	**183**	**1,045**
Allowance build (release) for credit losses	**(97)**	**145**	**152**	**200**
Other changes[2]	**(17)**	**0**	**0**	**(17)**
Balance as of June 30, 2022	**8,166**	**2,047**	**1,278**	**11,491**
Reserve for unfunded lending commitments:				
Balance as of March 31, 2022	0	0	200	200
Provision for losses on unfunded lending commitments	**0**	**0**	**39**	**39**
Balance as of June 30, 2022	**0**	**0**	**239**	**239**
Combined allowance and reserve as of June 30, 2022	**$ 8,166**	**$ 2,047**	**$ 1,517**	**$ 11,730**

(Dollars in millions)	Six Months Ended June 30, 2022			
	Credit Card	**Consumer Banking**	**Commercial Banking**	**Total**
Allowance for credit losses:				
Balance as of December 31, 2021	$ 8,345	$ 1,918	$ 1,167	$ 11,430
Charge-offs	**(1,964)**	**(680)**	**(60)**	**(2,704)**
Recoveries[1]	**679**	**398**	**15**	**1,092**
Net charge-offs	**(1,285)**	**(282)**	**(45)**	**(1,612)**
Provision (benefit) for credit losses	**1,126**	**411**	**156**	**1,693**
Allowance build (release) for credit losses	**(159)**	**129**	**111**	**81**
Other changes[2]	**(20)**	**0**	**0**	**(20)**
Balance as of June 30, 2022	**8,166**	**2,047**	**1,278**	**11,491**
Reserve for unfunded lending commitments:				
Balance as of December 31, 2021	0	0	165	165
Provision for losses on unfunded lending commitments	**0**	**0**	**74**	**74**
Balance as of June 30, 2022	**0**	**0**	**239**	**239**
Combined allowance and reserve as of June 30, 2022	**$ 8,166**	**$ 2,047**	**$ 1,517**	**$ 11,730**

(Dollars in millions)	Three Months Ended June 30, 2021			
	Credit Card	**Consumer Banking**	**Commercial Banking**	**Total**
Allowance for credit losses:				
Balance as of March 31, 2021	$ 10,072	$ 2,498	$ 1,447	$ 14,017
Charge-offs	(967)	(260)	(8)	(1,235)
Recoveries[1]	396	271	27	694
Net recoveries (charge-offs)	(571)	11	19	(541)
Provision (benefit) for credit losses	(635)	(306)	(196)	(1,137)
Allowance build (release) for credit losses	(1,206)	(295)	(177)	(1,678)
Other changes[2]	7	0	0	7
Balance as of June 30, 2021	8,873	2,203	1,270	12,346
Reserve for unfunded lending commitments:				
Balance as of March 31, 2021	0	0	187	187
Provision (benefit) for losses on unfunded lending commitments	0	0	(23)	(23)
Balance as of June 30, 2021	0	0	164	164
Combined allowance and reserve as of June 30, 2021	$ 8,873	$ 2,203	$ 1,434	$ 12,510

(Dollars in millions)	Six Months Ended June 30, 2021			
	Credit Card	**Consumer Banking**	**Commercial Banking**	**Total**
Allowance for credit losses:				
Balance as of December 31, 2020	$ 11,191	$ 2,715	$ 1,658	$ 15,564
Charge-offs	(1,960)	(602)	(27)	(2,589)
Recoveries[1]	756	522	30	1,308
Net recoveries (charge-offs)	(1,204)	(80)	3	(1,281)
Provision (benefit) for credit losses	(1,127)	(432)	(391)	(1,950)
Allowance build (release) for credit losses	(2,331)	(512)	(388)	(3,231)
Other changes[2]	13	0	0	13
Balance as of June 30, 2021	8,873	2,203	1,270	12,346

(Dollars in millions)	Six Months Ended June 30, 2021			
	Credit Card	Consumer Banking	Commercial Banking	Total
Reserve for unfunded lending commitments:				
Balance as of December 31, 2020	0	0	195	195
Provision (benefit) for losses on unfunded lending commitments	0	0	(31)	(31)
Balance as of June 30, 2021	0	0	164	164
Combined allowance and reserve as of June 30, 2021	$ 8,873	$ 2,203	$ 1,434	$ 12,510

(1) The amount and timing of recoveries are 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.

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 are netted against our allowance for credit losses. Our methodology for estimating reimbursements is consistent with the methodology we use to estimate the allowance for credit losses on our credit card loan receivables. These expected reimbursements result in reductions to net charge-offs and the provision for credit losses. See “Note 1—Summary of Significant Accounting Policies” in our 2021 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 six months ended June 30, 2022 and 2021.

Table 4.2: Summary of Credit Card Partnership Loss Sharing Arrangements Impacts

(Dollars in millions)	Three Months Ended June 30,	
	2022	2021
Estimated reimbursements from partners, beginning of period	$ 1,366	$ 2,005
Amounts due from partners which reduced net charge-offs	**(119)**	(128)
Amounts expected to become due from (to) partners which reduced (increased) provision for credit losses	**55**	(166)
Estimated reimbursements from partners, end of period	**$ 1,302**	$ 1,711

(Dollars in millions)	Six Months Ended June 30,	
	2022	2021
Estimated reimbursements from partners, beginning of period	$ 1,450	$ 2,159
Amounts due from partners which reduced net charge-offs	**(226)**	(269)
Amounts expected to become due from (to) partners which reduced (increased) provision for credit losses	**78**	(179)
Estimated reimbursements from partners, end of period	**$ 1,302**	$ 1,711

NOTE 5—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 variable interest entities ("VIEs"). Our primary involvement with VIEs is related to our securitization transactions in which we transfer assets to securitization trusts. We primarily securitize credit card and auto loans, which has 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 credit losses, which we report on our consolidated balance sheets under restricted cash for securitization investors, loans held in consolidated trusts and allowance for credit 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 the maximum amount of any remaining funding obligations.

The tables below present a summary of VIEs in which we had continuing involvement or held a significant variable interest, aggregated based on VIEs with similar characteristics as of June 30, 2022 and December 31, 2021. We separately present information for consolidated and unconsolidated VIEs.

Table 5.1: Carrying Amount of Consolidated and Unconsolidated VIEs

	June 30, 2022				
	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:[1]					
Credit card loan securitizations[2]	**$ 21,065**	**$ 14,851**	**$ 0**	**$ 0**	**$ 0**
Auto loan securitizations	**3,878**	**3,243**	**0**	**0**	**0**
Total securitization-related VIEs	**24,943**	**18,094**	**0**	**0**	**0**
Other VIEs:[3]					
Affordable housing entities	**260**	**20**	**4,774**	**1,499**	**4,774**
Entities that provide capital to low-income and rural communities	**2,331**	**10**	**0**	**0**	**0**
Other	**0**	**0**	**355**	**0**	**355**
Total other VIEs	**2,591**	**30**	**5,129**	**1,499**	**5,129**
Total VIEs	**$ 27,534**	**$ 18,124**	**$ 5,129**	**$ 1,499**	**$ 5,129**

	December 31, 2021				
	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:[1]					
Credit card loan securitizations[2]	$ 21,569	$ 13,016	$ 0	$ 0	$ 0
Auto loan securitizations	2,552	2,187	0	0	0
Total securitization-related VIEs	24,121	15,203	0	0	0

	December 31, 2021				
	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
Other VIEs:[3]					
Affordable housing entities	263	27	4,774	1,454	4,774
Entities that provide capital to low-income and rural communities	2,074	26	0	0	0
Other	0	0	383	0	383
Total other VIEs	2,337	53	5,157	1,454	5,157
Total VIEs	$ 26,458	$ 15,256	$ 5,157	$ 1,454	$ 5,157

(1) Excludes insignificant VIEs from previously exited businesses.

(2) Represents the carrying amount of assets and liabilities of the VIE, which includes the seller's interest and repurchased notes held by other related parties.

(3) 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 $2.2 billion of assets and $548 million of liabilities as of June 30, 2022, and $2.2 billion of assets and $568 million of liabilities as of December 31, 2021.

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.

In our multifamily agency business, we originate multifamily commercial real estate loans and transfer them to government-sponsored enterprises ("GSEs") who may, in turn, securitize them. We retain the related mortgage servicing rights ("MSRs") and service the transferred loans pursuant to the guidelines set forth by the GSEs. As an investor, we hold primarily RMBS, CMBS, and ABS in our investment securities portfolio, which represent variable interests in the respective securitization trusts from 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. 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. Our maximum exposure to loss as a result of our involvement with these VIEs is the carrying value of the MSRs and investment securities on our consolidated balance sheets as well as our contractual obligations under loss sharing arrangements. See "Note 6—Goodwill and Other Intangible Assets" for information related to our MSRs associated with these securitizations and "Note 2—Investment Securities" for more information on the securities held in our investment securities portfolio. 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 3—Loans" for additional information regarding our lending arrangements in the normal course of business.

The table below presents our continuing involvement in certain securitization-related VIEs as of June 30, 2022 and December 31, 2021.

Table 5.2: Continuing Involvement in Securitization-Related VIEs

(Dollars in millions)	Credit Card	Auto
June 30, 2022:		
Securities held by third-party investors	**$ 14,226**	**$ 3,240**
Receivables in the trusts	**21,343**	**3,702**
Cash balance of spread or reserve accounts	**0**	**18**
Retained interests	**Yes**	**Yes**
Servicing retained	**Yes**	**Yes**
December 31, 2021:		
Securities held by third-party investors	$ 12,808	$ 2,186
Receivables in the trust	22,454	2,418
Cash balance of spread or reserve accounts	0	13
Retained interests	Yes	Yes
Servicing retained	Yes	Yes

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 securitizations involve 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.

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 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 six months ended June 30, 2022 and June 30, 2021, we recognized amortization of $322 million and $317 million, respectively, and tax credits of $467 million and $423 million, respectively, associated with these investments within income tax provision. The carrying value of our equity investments in these qualified affordable housing projects was $4.8 billion and $4.7 billion as of June 30, 2022 and December 31, 2021, 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 $1.7 billion as of both June 30, 2022 and December 31, 2021, and is largely expected to be paid from 2022 to 2024.

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 $4.8 billion as of both June 30, 2022 and December 31, 2021. 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 $12.2 billion and $11.9 billion as of June 30, 2022 and December 31, 2021, 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 consolidate 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 $2.3 billion and $2.1 billion as of June 30, 2022 and December 31, 2021, 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

We hold variable interests in other VIEs, including companies that promote renewable energy sources and other equity method investments. We are not required to consolidate these VIEs because we do not have the power to direct the activities that most significantly impact their economic performance. Our maximum exposure to these VIEs is limited to the investments on our consolidated balance sheets of $355 million and $383 million as of June 30, 2022 and December 31, 2021, 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.

NOTE 6—GOODWILL AND OTHER INTANGIBLE ASSETS

The table below presents our goodwill, other intangible assets and MSRs as of June 30, 2022 and December 31, 2021. Goodwill is presented separately, while other intangible assets and MSRs are included in other assets on our consolidated balance sheets.

Table 6.1: Components of Goodwill, Other Intangible Assets and MSRs

	June 30, 2022		
(Dollars in millions)	Carrying Amount of Assets	Accumulated Amortization	Net Carrying Amount
Goodwill	**$ 14,778**	**N/A**	**$ 14,778**
Other intangible assets:			
Purchased credit card relationship ("PCCR") intangibles	**29**	**$ (13)**	**16**
Other[1]	**213**	**(146)**	**67**
Total other intangible assets	**242**	**(159)**	**83**
Total goodwill and other intangible assets	**$ 15,020**	**$ (159)**	**$ 14,861**
Commercial MSRs[2]	**$ 650**	**$ (215)**	**$ 435**

	December 31, 2021		
(Dollars in millions)	Carrying Amount of Assets	Accumulated Amortization	Net Carrying Amount
Goodwill	$ 14,782	N/A	$ 14,782
Other intangible assets:			
Purchased credit card relationship ("PCCR") intangibles	29	$ (10)	19
Other[1]	213	(121)	92
Total other intangible assets	242	(131)	111
Total goodwill and other intangible assets	$ 15,024	$ (131)	$ 14,893
Commercial MSRs[2]	$ 622	$ (202)	$ 420

(1) Primarily consists of intangibles for sponsorship, customer and merchant relationships, partnership, trade names and other customer contract 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 $14 million and $28 million for the three and six months ended June 30, 2022, respectively, and $5 million and $11 million for the three and six months ended June 30, 2021, respectively.

Goodwill

The following table presents changes in carrying amount of goodwill by each of our business segments as of June 30, 2022 and December 31, 2021.

Table 6.2: Goodwill by Business Segments

(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Total
Balance as of December 31, 2021	$ 5,087	$ 4,645	$ 5,050	$ 14,782
Other adjustments[1]	**(8)**	**0**	**4**	**(4)**
Balance as of June 30, 2022	**$ 5,079**	**$ 4,645**	**$ 5,054**	**$ 14,778**

(1) Represents foreign currency translation adjustments and measurement period adjustments on prior period acquisitions.

NOTE 7—DEPOSITS AND BORROWINGS

Our deposits represent our largest source of funding for our assets and operations, and 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. 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 and securities loaned or sold under agreements to repurchase. 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 June 30, 2022 and December 31, 2021. 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 7.1: Components of Deposits, Short-Term Borrowings and Long-Term Debt

(Dollars in millions)	June 30, 2022	December 31, 2021
Deposits:		
Non-interest-bearing deposits	**$ 37,004**	$ 38,043
Interest-bearing deposits[1]	**270,881**	272,937
Total deposits	**$ 307,885**	$ 310,980
Short-term borrowings:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	**$ 440**	$ 820
Total short-term borrowings	**$ 440**	$ 820

	June 30, 2022				December 31, 2021
(Dollars in millions)	Maturity Dates	Stated Interest Rates	Weighted-Average Interest Rate	Carrying Value	Carrying Value
Long-term debt:					
Securitized debt obligations	**2022-2028**	**0.32% - 3.49%**	**2.02%**	**$ 17,466**	$ 14,994
Senior and subordinated notes:					
Fixed unsecured senior debt[2]	**2022-2033**	**0.80 - 5.27**	**3.23**	**23,444**	19,975
Floating unsecured senior debt	**2022-2025**	**1.96 - 2.86**	**2.28**	**1,835**	1,709
Total unsecured senior debt			**3.16**	**25,279**	21,684
Fixed unsecured subordinated debt	**2023-2032**	**2.36 - 4.20**	**3.52**	**5,210**	5,535
Total senior and subordinated notes				**30,489**	27,219
Other long-term borrowings:					
FHLB advances	**2023**	**1.62 - 1.77**	**1.70**	**10,500**	0
Finance lease liabilities	**2022-2031**	**0.30 - 9.91**	**3.65**	**43**	53
Total other long-term borrowings				**10,543**	53
Total long-term debt				**$ 58,498**	$ 42,266
Total short-term borrowings and long-term debt				**$ 58,938**	$ 43,086

(1) Includes $2.1 billion and $1.8 billion of time deposits in denominations in excess of the $250,000 federal insurance limit as of June 30, 2022 and December 31, 2021, respectively.

(2) Includes $1.2 billion and $1.4 billion of EUR-denominated unsecured notes as of June 30, 2022 and December 31, 2021, respectively.

NOTE 8—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. We primarily use interest rate and foreign currency swaps to hedge, but 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 interest rate, commodity, foreign currency derivatives and other contracts as an accommodation to our customers within our Commercial Banking business. We enter into these derivatives with our customers primarily to help them manage their interest rate risks, hedge their energy and other commodities exposures, and manage foreign currency fluctuations. We then enter into derivative contracts with counterparties to economically hedge substantially all 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 in 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 accumulated other comprehensive income ("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 in 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.

Derivatives Counterparty Credit Risk

Counterparty Types

Derivative instruments contain an element of credit risk that stems 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 interest rate and commodity futures in the exchange-traded derivative markets. Our OTC derivatives consist of both trades cleared through central counterparty clearinghouses ("CCPs") and uncleared bilateral contracts. The Chicago Mercantile Exchange ("CME"), the Intercontinental Exchange ("ICE") and the LCH Group ("LCH") are our CCPs for our centrally cleared contracts. 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 agreements, where applicable, and exchanging collateral with our counterparties, typically in the form of cash or high-quality liquid securities. We exchange collateral in two primary forms: variation margin, which mitigates the risk of changes in value due to daily market movements and is exchanged daily, and initial margin, which mitigates the risk of potential future exposure of a derivative and is exchanged at the outset of a transaction and adjusted daily. We exchange variation margin and initial margin on our cleared derivatives. For uncleared bilateral derivatives, we exchange variation margin, and from September 2021 we exchange initial margin on any new trades executed after September 1, 2021, where such trades are in scope for initial margin.

The amount of collateral exchanged for variation margin is dependent upon the fair value of the derivative instruments as well as the fair value of the pledged collateral and will vary over time as market variables change. The amount of the initial margin exchanged is dependent upon 1) the calculation of initial margin exposure, as prescribed by 1(a) the U.S. prudential regulators' margin rules for uncleared derivatives ("PR Rules") or 1(b) the CCPs for cleared derivatives and 2) the fair value of the pledged collateral; it will vary over time as market variables change. 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 collateral received or pledged. See Table 8.3 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. We also clear exchange-traded instruments, like futures, with CCPs. 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 by CCPs as collateral against potential losses on our exchange-traded and cleared derivative contracts and variation margin is exchanged on a daily basis to account for mark-to-market changes in those derivative contracts. For CME, ICE and LCH-cleared OTC derivatives, variation margin cash payments are required to be characterized 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 master netting agreements and collateral agreements with bilateral derivative counterparties, where applicable, to mitigate the risk of default. 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 uncleared derivatives 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 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.

Balance Sheet Presentation

The following table summarizes the notional amounts and fair values of our derivative instruments as of June 30, 2022 and December 31, 2021, 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 8.1: Derivative Assets and Liabilities at Fair Value

	June 30, 2022			December 31, 2021		
		Derivative[1]			Derivative[1]	
(Dollars in millions)	Notional or Contractual Amount	Assets	Liabilities	Notional or Contractual Amount	Assets	Liabilities
Derivatives designated as accounting hedges:						
Interest rate contracts:						
Fair value hedges	**$ 60,231**	**$ 162**	**$ 14**	$ 49,659	$ 2	$ 3
Cash flow hedges	**55,900**	**133**	**245**	52,400	244	16
Total interest rate contracts	**116,131**	**295**	**259**	102,059	246	19
Foreign exchange contracts:						
Fair value hedges	**1,311**	**0**	**192**	1,421	13	0
Cash flow hedges	**1,936**	**25**	**4**	4,679	24	20
Net investment hedges	**4,092**	**293**	**0**	3,459	43	0
Total foreign exchange contracts	**7,339**	**318**	**196**	9,559	80	20
Total derivatives designated as accounting hedges	**123,470**	**613**	**455**	111,618	326	39
Derivatives not designated as accounting hedges:						
Customer accommodation:						
Interest rate contracts	**85,971**	**427**	**1,257**	71,724	620	194
Commodity contracts	**31,172**	**3,335**	**2,858**	22,021	1,669	1,561
Foreign exchange and other contracts	**4,382**	**87**	**74**	3,779	40	42
Total customer accommodation	**121,525**	**3,849**	**4,189**	97,524	2,329	1,797
Other interest rate exposures[2]	**1,405**	**32**	**19**	1,899	33	25
Other contracts	**2,025**	**6**	**0**	2,028	2	7
Total derivatives not designated as accounting hedges	**124,955**	**3,887**	**4,208**	101,451	2,364	1,829
Total derivatives	**$ 248,425**	**$ 4,500**	**$ 4,663**	$ 213,069	$ 2,690	$ 1,868
Less: netting adjustment[3]		**(1,067)**	**(1,395)**		(542)	(544)
Total derivative assets/liabilities		**$ 3,433**	**$ 3,268**		$ 2,148	$ 1,324

(1) Does not reflect $8 million and $11 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of June 30, 2022 and December 31, 2021, respectively. Non-performance risk is included in derivative assets and liabilities, which are part of other assets and other 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.

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 June 30, 2022 and December 31, 2021.

Table 8.2: Hedged Items in Fair Value Hedging Relationships

	June 30, 2022			December 31, 2021		
		Cumulative Amount of Basis Adjustments Included in the Carrying Amount			Cumulative Amount of Basis Adjustments Included in the Carrying Amount	
(Dollars in millions)	Carrying Amount Assets/(Liabilities)	Total Assets/(Liabilities)	Discontinued-Hedging Relationships	Carrying Amount Assets/(Liabilities)	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]	**$ 7,875**	**$ 24**	**$ 239**	$ 10,327	$ 286	$ 295
Interest-bearing deposits	**(10,936)**	**142**	**(1)**	(7,361)	(47)	(1)
Securitized debt obligations	**(13,173)**	**472**	**0**	(11,155)	49	3
Senior and subordinated notes	**(26,660)**	**780**	**(616)**	(22,777)	(531)	(708)

(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 $238 million and $247 million, the amount of the designated hedged items was $225 million and $225 million, and the cumulative basis adjustments associated with these hedges was $11 million and $3 million as of June 30, 2022 and December 31, 2021, 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 agreements 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 master netting agreements for balance sheet presentation where a right of setoff exists. For derivative contracts entered into under master netting agreements for which we have not been able to confirm the enforceability of the setoff rights, or those not subject to master netting agreements, we do not offset our derivative positions for balance sheet presentation.

The following table presents the gross and net fair values of our derivative assets, derivative liabilities, resale and repurchase agreements and the related offsetting amounts permitted under U.S. GAAP as of June 30, 2022 and December 31, 2021. 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 8.3: Offsetting of Financial Assets and Financial Liabilities

		Gross Amounts Offset in the Balance Sheet				
(Dollars in millions)	Gross Amounts	Financial Instruments	Cash Collateral Received	Net Amounts as Recognized	Securities Collateral Held Under Master Netting Agreements	Net Exposure
As of June 30, 2022						
Derivative assets[1]	**$ 4,500**	**$ (485)**	**$ (582)**	**$ 3,433**	**$ 0**	**$ 3,433**
As of December 31, 2021						
Derivative assets[1]	2,690	(252)	(290)	2,148	0	2,148

(Dollars in millions)	Gross Amounts	Gross Amounts Offset in the Balance Sheet: Financial Instruments	Gross Amounts Offset in the Balance Sheet: Cash Collateral Pledged	Net Amounts as Recognized	Securities Collateral Pledged Under Master Netting Agreements	Net Exposure
As of June 30, 2022						
Derivative liabilities[1]	**$ 4,663**	**$ (485)**	**$ (910)**	**$ 3,268**	**$ 0**	**$ 3,268**
Repurchase agreements[2]	**440**	**0**	**0**	**440**	**(440)**	**0**
As of December 31, 2021						
Derivative liabilities[1]	1,868	(252)	(292)	1,324	0	1,324
Repurchase agreements[2]	820	0	0	820	(820)	0

(1) We received cash collateral from derivative counterparties totaling $725 million and $377 million as of June 30, 2022 and December 31, 2021, respectively. We also received securities from derivative counterparties with a fair value of $28 million for June 30, 2022 and approximately $1 million for December 31, 2021, respectively, which we have the ability to re-pledge. We posted $4.3 billion and $2.0 billion of cash collateral as of June 30, 2022 and December 31, 2021, respectively.

(2) Under our customer repurchase agreements, which mature the next business day, we pledged collateral with a fair value of $449 million and $836 million as of June 30, 2022 and December 31, 2021, respectively, primarily consisting of 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 six months ended June 30, 2022 and 2021.

Table 8.4: Effects of Fair Value and Cash Flow Hedge Accounting

	Three Months Ended June 30, 2022						
	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	**$ 435**	**$ 6,605**	**$ 55**	**$ (293)**	**$ (65)**	**$ (194)**	**$ 99**
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	**$ 8**	**$ 0**	**$ 0**	**$ 21**	**$ 6**	**$ 13**	**$ 0**
Gains (losses) recognized on derivatives	**36**	**0**	**0**	**(73)**	**(119)**	**(376)**	**(74)**
Gains (losses) recognized on hedged items[1]	**(61)**	**0**	**0**	**74**	**120**	**413**	**73**
Excluded component of fair value hedges[2]	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net income (expense) recognized on fair value hedges	**$ (17)**	**$ 0**	**$ 0**	**$ 22**	**$ 7**	**$ 50**	**$ (1)**

	Three Months Ended June 30, 2022						
	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
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains reclassified from AOCI into net income	$ 0	$ 63	$ 0	$ 0	$ 0	$ 0	$ 0
Foreign exchange contracts:							
Realized gains (losses) reclassified from AOCI into net income[4]	0	0	(1)	0	0	0	0
Net income (expense) recognized on cash flow hedges	$ 0	$ 63	$ (1)	$ 0	$ 0	$ 0	$ 0

	Six Months Ended June 30, 2022						
	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	$ 837	$ 12,972	$ 70	$ (511)	$ (94)	$ (325)	$ 442
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	$ 0	$ 0	$ 0	$ 42	$ 33	$ 51	$ 0
Gains (losses) recognized on derivatives	211	0	0	(188)	(424)	(1,232)	(112)
Gains (losses) recognized on hedged items[1]	(262)	0	0	189	423	1,309	111
Excluded component of fair value hedges[2]	0	0	0	0	0	(1)	0
Net income (expense) recognized on fair value hedges	$ (51)	$ 0	$ 0	$ 43	$ 32	$ 127	$ (1)
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains reclassified from AOCI into net income	$ 0	$ 190	$ 0	$ 0	$ 0	$ 0	$ 0
Foreign exchange contracts:							
Realized gains (losses) reclassified from AOCI into net income[4]	0	0	(1)	0	0	0	0
Net income (expense) recognized on cash flow hedges	$ 0	$ 190	$ (1)	$ 0	$ 0	$ 0	$ 0

	Three Months Ended June 30, 2021						
	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	$ 370	$ 5,753	$ 16	$ (237)	$ (28)	$ (122)	$ 231
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	$ (25)	$ 0	$ 0	$ 34	$ 30	$ 56	$ 0
Gains (losses) recognized on derivatives	11	0	0	(31)	(17)	0	16
Gains (losses) recognized on hedged items[1]	(18)	0	0	31	11	33	(16)
Excluded component of fair value hedges[2]	0	0	0	0	0	0	0
Net income (expense) recognized on fair value hedges	$ (32)	$ 0	$ 0	$ 34	$ 24	$ 89	$ 0
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains (losses) reclassified from AOCI into net income	$ 11	$ 234	$ 0	$ 0	$ 0	$ 0	$ 0
Foreign exchange contracts:							
Realized gains (losses) reclassified from AOCI into net income[4]	0	0	0	0	0	0	1
Net income (expense) recognized on cash flow hedges	$ 11	$ 234	$ 0	$ 0	$ 0	$ 0	$ 1

	Six Months Ended June 30, 2021						
	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	$ 761	$ 11,607	$ 32	$ (506)	$ (60)	$ (251)	$ 353
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	$ (50)	$ 0	$ 0	$ 70	$ 63	$ 118	$ 0
Gains (losses) recognized on derivatives	111	0	0	(89)	(97)	(336)	(45)
Gains (losses) recognized on hedged items[1]	(123)	0	0	89	86	401	45
Excluded component of fair value hedges[2]	0	0	0	0	0	(1)	0
Net income (expense) recognized on fair value hedges	$ (62)	$ 0	$ 0	$ 70	$ 52	$ 182	$ 0
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains reclassified from AOCI into net income	$ 20	$ 460	$ 0	$ 0	$ 0	$ 0	$ 0
Foreign exchange contracts:							
Realized gains (losses) reclassified from AOCI into net income[4]	0	0	1	0	0	0	1
Net income (expense) recognized on cash flow hedges	$ 20	$ 460	$ 1	$ 0	$ 0	$ 0	$ 1

(1) Includes amortization benefit of $17 million and $34 million for the three and six months ended June 30, 2022, respectively, and amortization benefit of $22 million and $44 million for the three and six months ended June 30, 2021, 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 9—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 $31 million and $18 million for the three and six months ended June 30, 2022, respectively, and a gain of $77 million and $162 million for the three and six months ended June 30, 2021, 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 in other non-interest income on our consolidated statements of income.

In the next 12 months, we expect to reclassify into earnings a net after-tax loss of $431 million recorded in AOCI as of June 30, 2022. This amount will offset the cash flows associated with hedged forecasted transactions. The maximum length of time over which forecasted transactions were hedged was approximately 5.7 years as of June 30, 2022. 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.

Free-Standing Derivatives

The net impacts to our consolidated statements of income related to free-standing derivatives are presented below for the three

and six months ended June 30, 2022 and 2021. These gains or losses are recognized in other non-interest income on our consolidated statements of income.

Table 8.5: Gains (Losses) on Free-Standing Derivatives

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	**2022**	**2021**	**2022**	**2021**
Gains (losses) recognized in other non-interest income:				
Customer accommodation:				
Interest rate contracts	**$ 11**	$ 8	**$ 20**	$ 18
Commodity contracts	**11**	4	**17**	9
Foreign exchange and other contracts	**3**	4	**4**	8
Total customer accommodation	**25**	16	**41**	35
Other interest rate exposures	**(12)**	(27)	**14**	(16)
Other contracts	**(7)**	(1)	**(5)**	(1)
Total	**$ 6**	$ (12)	**$ 50**	$ 18

NOTE 9—STOCKHOLDERS' EQUITY

Preferred Stock

The following table summarizes our preferred stock outstanding as of June 30, 2022 and December 31, 2021.

Table 9.1: Preferred Stock Outstanding[1]

Series	Description	Issuance Date	Redeemable by Issuer Beginning	Per Annum Dividend Rate	Dividend Frequency	Liquidation Preference per Share	Total Shares Outstanding as of June 30, 2022	Carrying Value (in millions)	
								June 30, 2022	December 31, 2021
Series I	5.000% Non-Cumulative	September 11, 2019	December 1, 2024	5.000%	Quarterly	$ 1,000	1,500,000	**$ 1,462**	$ 1,462
Series J	4.800% Non-Cumulative	January 31, 2020	June 1, 2025	4.800	Quarterly	1,000	1,250,000	**1,209**	1,209
Series K	4.625% Non-Cumulative	September 17, 2020	December 1, 2025	4.625	Quarterly	1,000	125,000	**122**	122
Series L	4.375% Non-Cumulative	May 4, 2021	September 1, 2026	4.375	Quarterly	1,000	675,000	**652**	652
Series M	3.950% Fixed Rate Reset Non-Cumulative	June 10, 2021	September 1, 2026	3.950% through 8/31/2026; resets 9/1/2026 and every subsequent 5 year anniversary at 5-Year Treasury Rate +3.157%	Quarterly	1,000	1,000,000	**988**	988
Series N	4.250% Non-Cumulative	July 29, 2021	September 1, 2026	4.250%	Quarterly	1,000	425,000	**412**	412
Total								**$ 4,845**	$ 4,845

[1] Except for Series M, 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

AOCI primarily consists of accumulated net unrealized gains or losses associated with securities available for sale, changes in fair value of derivatives in hedging relationships and foreign currency translation adjustments.

The following table includes the changes in AOCI by component for the three and six months ended June 30, 2022, and 2021.

Table 9.2: AOCI

(Dollars in millions)	Three Months Ended June 30, 2022				
	Securities Available for Sale	Hedging Relationships[1]	Foreign Currency Translation Adjustments [2]	Other	Total
AOCI as of March 31, 2022	$ (2,956)	$ (1,091)	$ (26)	$ (20)	$ (4,093)
Other comprehensive income (loss) before reclassifications	**(2,293)**	**(412)**	**(52)**	**0**	**(2,757)**
Amounts reclassified from AOCI into earnings	**5**	**(71)**	**0**	**0**	**(66)**
Other comprehensive income (loss), net of tax	**(2,288)**	**(483)**	**(52)**	**0**	**(2,823)**
AOCI as of June 30, 2022	**$ (5,244)**	**$ (1,574)**	**$ (78)**	**$ (20)**	**$ (6,916)**

(Dollars in millions)	Six Months Ended June 30, 2022				
	Securities Available for Sale	Hedging Relationships[1]	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of December 31, 2021	$ 297	$ 118	$ (21)	$ (20)	$ 374
Other comprehensive income (loss) before reclassifications	**(5,546)**	**(1,535)**	**(57)**	**0**	**(7,138)**
Amounts reclassified from AOCI into earnings	**5**	**(157)**	**0**	**0**	**(152)**
Other comprehensive income (loss), net of tax	**(5,541)**	**(1,692)**	**(57)**	**0**	**(7,290)**
AOCI as of June 30, 2022	**$ (5,244)**	**$ (1,574)**	**$ (78)**	**$ (20)**	**$ (6,916)**

(Dollars in millions)	Three Months Ended June 30, 2021				
	Securities Available for Sale	Hedging Relationships[1]	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of March 31, 2021	$ 1,038	$ 781	$ (12)	$ (24)	$ 1,783
Other comprehensive income (loss) before reclassifications	51	193	9	0	253
Amounts reclassified from AOCI into earnings	0	(244)	0	0	(244)
Other comprehensive income (loss), net of tax	51	(51)	9	0	9
AOCI as of June 30, 2021	$ 1,089	$ 730	$ (3)	$ (24)	$ 1,792

(Dollars in millions)	Six Months Ended June 30, 2021				
	Securities Available for Sale	Hedging Relationships[1]	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of December 31, 2020	$ 2,186	$ 1,362	$ (31)	$ (23)	$ 3,494
Other comprehensive income (loss) before reclassifications	(1,094)	(145)	28	0	(1,211)
Amounts reclassified from AOCI into earnings	(3)	(487)	0	(1)	(491)
Other comprehensive income (loss), net of tax	(1,097)	(632)	28	(1)	(1,702)
AOCI as of June 30, 2021	$ 1,089	$ 730	$ (3)	$ (24)	$ 1,792

[1] Includes amounts related to cash flow hedges as well as the excluded component of cross-currency swaps designated as fair value hedges.

[2] Includes other comprehensive gains of $174 million and $222 million for the three and six months ended June 30, 2022, respectively, and other comprehensive loss of $13 million and $34 million for the three and six months ended June 30, 2021, respectively, from hedging instruments designated as net investment hedges.

The following table presents amounts reclassified from each component of AOCI to our consolidated statements of income for the three and six months ended June 30, 2022 and 2021.

Table 9.3: Reclassifications from AOCI

(Dollars in millions)		Three Months Ended June 30,		Six Months Ended June 30,	
AOCI Components	Affected Income Statement Line Item	2022	2021	2022	2021
Securities available for sale:					
	Non-interest income (loss)	**$ (6)**	$ 0	**$ (6)**	$ 4
	Income tax provision (benefit)	**(1)**	0	**(1)**	1
	Net income (loss)	**(5)**	0	**(5)**	3

(Dollars in millions)		Three Months Ended June 30,		Six Months Ended June 30,	
AOCI Components	**Affected Income Statement Line Item**	**2022**	**2021**	**2022**	**2021**
Hedging relationships:					
Interest rate contracts:	Interest income	**63**	245	**190**	480
Foreign exchange contracts:	Interest income	**(1)**	0	**(1)**	1
	Interest expense	**0**	(1)	**(1)**	(2)
	Non-interest income	**31**	77	**18**	162
	Income from continuing operations before income taxes	**93**	321	**206**	641
	Income tax provision	**22**	77	**49**	154
	Net income	**71**	244	**157**	487
Other:					
	Non-interest income and non-interest expense	**0**	0	**0**	1
	Net income	**0**	0	**0**	1
Total reclassifications		**$ 66**	$ 244	**$ 152**	$ 491

The table below summarizes other comprehensive income (loss) activity and the related tax impact for the three and six months ended June 30, 2022 and 2021.

Table 9.4: Other Comprehensive Income (Loss)

	Three Months Ended June 30,					
	2022			2021		
(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	**$ (3,012)**	**$ (724)**	**$ (2,288)**	$ 66	$ 15	$ 51
Net unrealized losses on hedging relationships	**(634)**	**(151)**	**(483)**	(68)	(17)	(51)
Foreign currency translation adjustments[(1)]	**4**	**56**	**(52)**	4	(5)	9
Other	**0**	**0**	**0**	0	0	0
Other comprehensive income (loss)	**$ (3,642)**	**$ (819)**	**$ (2,823)**	$ 2	$ (7)	$ 9

	Six Months Ended June 30,					
	2022			2021		
(Dollars in millions)	**Before Tax**	**Provision (Benefit)**	**After Tax**	**Before Tax**	**Provision (Benefit)**	**After Tax**
Other comprehensive income (loss):						
Net unrealized losses on securities available for sale	**$ (7,299)**	**$ (1,758)**	**$ (5,541)**	$ (1,446)	$ (349)	$ (1,097)
Net unrealized losses on hedging relationships	**(2,227)**	**(535)**	**(1,692)**	(834)	(202)	(632)
Foreign currency translation adjustments[(1)]	**14**	**71**	**(57)**	17	(11)	28
Other	**0**	**0**	**0**	(1)	0	(1)
Other comprehensive loss	**$ (9,512)**	**$ (2,222)**	**$ (7,290)**	$ (2,264)	$ (562)	$ (1,702)

(1) Includes the impact of hedging instruments designated as net investment hedges.

NOTE 10—EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share.

Table 10.1: Computation of Basic and Diluted Earnings per Common Share

(Dollars and shares in millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Income from continuing operations, net of tax	**$ 2,031**	$ 3,537	**$ 4,434**	$ 6,864
Income (loss) from discontinued operations, net of tax	**0**	(1)	**0**	(3)
Net income	**2,031**	3,536	**4,434**	6,861
Dividends and undistributed earnings allocated to participating securities	**(25)**	(30)	**(53)**	(58)
Preferred stock dividends	**(57)**	(60)	**(114)**	(121)
Net income available to common stockholders	**$ 1,949**	$ 3,446	**$ 4,267**	$ 6,682
Total weighted-average basic common shares outstanding	**391.2**	450.6	**400.8**	454.6
Effect of dilutive securities:[1]				
Stock options	**0.4**	0.8	**0.4**	0.8
Other contingently issuable shares	**1.0**	0.9	**1.1**	0.8
Total effect of dilutive securities	**1.4**	1.7	**1.5**	1.6
Total weighted-average diluted common shares outstanding	**392.6**	452.3	**402.3**	456.2
Basic earnings per common share:				
Net income from continuing operations	**$ 4.98**	$ 7.65	**$ 10.65**	$ 14.70
Net income per basic common share	**$ 4.98**	$ 7.65	**$ 10.65**	$ 14.70
Diluted earnings per common share:[1]				
Net income from continuing operations	**$ 4.96**	$ 7.62	**$ 10.61**	$ 14.65
Net income per diluted common share	**$ 4.96**	$ 7.62	**$ 10.61**	$ 14.65

(1) Excluded from the computation of diluted earnings per share were awards of 37 thousand shares and awards of 19 thousand for the three and six months ended June 30, 2022, respectively, because their inclusion would be anti-dilutive. There were no shares excluded from the computation of dilutive earnings per share for the three months ended June 30, 2021. For the six months ended June 30, 2021, awards of 51 thousand shares were excluded from the computation of diluted earnings per share.

NOTE 11—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 ("DCF") 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.

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 16—Fair Value Measurement" in our 2021 Form 10-K.

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 June 30, 2022 and December 31, 2021.

Table 11.1: Assets and Liabilities Measured at Fair Value on a Recurring Basis

	June 30, 2022				
	Fair Value Measurements Using				
(Dollars in millions)	Level 1	Level 2	Level 3	Netting Adjustments[1]	Total
Assets:					
Securities available for sale:					
U.S. Treasury securities	$ 8,624	$ 0	$ 0	—	$ 8,624
RMBS	0	65,287	240	—	65,527
CMBS	0	7,561	13	—	7,574
Other securities	191	1,106	0	—	1,297
Total securities available for sale	8,815	73,954	253	—	83,022
Loans held for sale	0	767	0	—	767
Other assets:					
Derivative assets[2]	792	3,577	131	$ (1,067)	3,433
Other[3]	441	3	37	—	481
Total assets	$ 10,048	$ 78,301	$ 421	$ (1,067)	$ 87,703
Liabilities:					
Other liabilities:					
Derivative liabilities[2]	$ 1,416	$ 3,104	$ 143	$ (1,395)	$ 3,268
Total liabilities	$ 1,416	$ 3,104	$ 143	$ (1,395)	$ 3,268

(Dollars in millions)	December 31, 2021 Fair Value Measurements Using Level 1	Level 2	Level 3	Netting Adjustments[1]	Total
Assets:					
Securities available for sale:					
U.S. Treasury securities	$ 9,442	$ 0	$ 0	—	$ 9,442
RMBS	0	73,358	258	—	73,616
CMBS	0	9,360	9	—	9,369
Other securities	206	2,628	0	—	2,834
Total securities available for sale	9,648	85,346	267	—	95,261
Loans held for sale	0	1,026	0	—	1,026
Other assets:					
Derivative assets[2]	406	2,200	84	$ (542)	2,148
Other[3]	526	6	41	—	573
Total assets	$ 10,580	$ 88,578	$ 392	$ (542)	$ 99,008
Liabilities:					
Other liabilities:					
Derivative liabilities[2]	$ 838	$ 965	$ 65	$ (544)	$ 1,324
Total liabilities	$ 838	$ 965	$ 65	$ (544)	$ 1,324

(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 8—Derivative Instruments and Hedging Activities" for additional information.

(2) Does not reflect $8 million and $11 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of June 30, 2022 and December 31, 2021, respectively. Non-performance risk is included in derivative assets and liabilities, which are part of other assets and other liabilities on the consolidated balance sheets, and is recorded through non-interest income in the consolidated statements of income.

(3) As of June 30, 2022 and December 31, 2021, other includes retained interests in securitizations of $37 million and $41 million, deferred compensation plan assets of $432 million and $490 million, and equity securities of $12 million (including unrealized loss of $19 million) and $42 million (including unrealized loss of $36 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 six months ended June 30, 2022 and 2021. 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 11.2: Level 3 Recurring Fair Value Rollforward

(Dollars in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three Months Ended June 30, 2022 Balance, April 1, 2022	Total Gains (Losses) (Realized/Unrealized) Included in Net Income[1]	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3	Transfers Out of Level 3	Balance, June 30, 2022	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2022[1]
Securities available for sale:[2]											
RMBS	$ 211	**$ 3**	**$ (8)**	**$ 0**	**$ 0**	**$ 0**	**$ (15)**	**$ 72**	**$ (23)**	**$ 240**	**$ 2**
CMBS	21	**0**	**(1)**	**0**	**0**	**0**	**(4)**	**0**	**(3)**	**13**	**0**
Total securities available for sale	232	**3**	**(9)**	**0**	**0**	**0**	**(19)**	**72**	**(26)**	**253**	**2**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Three Months Ended June 30, 2022

(Dollars in millions)	Balance, April 1, 2022	Total Gains (Losses) (Realized/Unrealized) Included in Net Income[1]	Total Gains (Losses) (Realized/Unrealized) Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3	Transfers Out of Level 3	Balance, June 30, 2022	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2022[1]
Other assets:											
Retained interests in securitizations	39	**(2)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**37**	**(2)**
Net derivative assets (liabilities)[3]	22	**(46)**	**0**	**0**	**0**	**8**	**4**	**0**	**0**	**(12)**	**(18)**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Six Months Ended June 30, 2022

(Dollars in millions)	Balance, January 1, 2022	Total Gains (Losses) (Realized/Unrealized) Included in Net Income[1]	Total Gains (Losses) (Realized/Unrealized) Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3	Transfers Out of Level 3	Balance, June 30, 2022	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2022[1]
Securities available for sale:[2]											
RMBS	$ 258	**$ 13**	**$ (20)**	**$ 0**	**$ 0**	**$ 0**	**$ (43)**	**$ 84**	**$ (52)**	**$ 240**	**$ 5**
CMBS	9	**0**	**(1)**	**0**	**0**	**0**	**(5)**	**13**	**(3)**	**13**	**(1)**
Total securities available for sale	267	**13**	**(21)**	**0**	**0**	**0**	**(48)**	**97**	**(55)**	**253**	**4**
Other assets:											
Retained interests in securitizations	41	**(4)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**37**	**(4)**
Net derivative assets (liabilities)[3]	19	**(41)**	**0**	**0**	**0**	**36**	**2**	**(28)**	**0**	**(12)**	**(38)**

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Three Months Ended June 30, 2021

(Dollars in millions)	Balance, April 1, 2021	Total Gains (Losses) (Realized/Unrealized) Included in Net Income[1]	Total Gains (Losses) (Realized/Unrealized) Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3	Transfers Out of Level 3	Balance, June 30, 2021	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2021[1]
Securities available for sale:[2]											
RMBS	$ 326	$ 4	$ 2	$ 0	$ 0	$ 0	$ (25)	$ 45	$ (63)	$ 289	$ 4
CMBS	10	0	0	0	0	0	0	0	(1)	9	0
Total securities available for sale	336	4	2	0	0	0	(25)	45	(64)	298	4
Other assets:											
Retained interests in securitizations	50	(4)	0	0	0	0	0	0	0	46	(4)
Net derivative assets (liabilities)[3]	34	11	0	0	0	(16)	(15)	6	(1)	19	11

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Six Months Ended June 30, 2021										
		Total Gains (Losses) (Realized/Unrealized)									
(Dollars in millions)	Balance, January 1, 2021	Included in Net Income[1]	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3	Transfers Out of Level 3	Balance, June 30, 2021	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of June 30, 2021[1]
Securities available for sale:[2]											
RMBS	$ 328	$ 11	$ 4	$ 0	$ 0	$ 0	$ (51)	$ 84	$ (87)	$ 289	$ 8
CMBS	111	0	(2)	0	0	0	(6)	0	(94)	9	0
Total securities available for sale	439	11	2	0	0	0	(57)	84	(181)	298	8
Other assets:											
Retained interests in securitizations	55	(9)	0	0	0	0	0	0	0	46	(9)
Net derivative assets (liabilities)[3]	31	(10)	0	0	0	22	(29)	6	(1)	19	8

(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 six months ended June 30, 2022 included in OCI related to Level 3 securities available for sale still held as of June 30, 2022 were net unrealized losses of $11 million and $20 million . For the three and six months ended June 30, 2021, included in OCI related to Level 3 securities available for sale still held as of June 30, 2021 were net unrealized losses of $1 million and net unrealized gains of $2 million, respectively.

(3) Includes derivative assets and liabilities of $131 million and $143 million, respectively, as of June 30, 2022 and $129 million and $110 million, respectively, as of June 30, 2021.

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 or 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, and would lead to a decrease in the fair value measurement.

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 11.3: Quantitative Information about Level 3 Fair Value Measurements

(Dollars in millions)	Fair Value at June 30, 2022	Quantitative Information about Level 3 Fair Value Measurements: Significant Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average[1]
Securities available for sale:					
RMBS	**$ 240**	Discounted cash flows (vendor pricing)	Yield Voluntary prepayment rate Default rate Loss severity	**0-14%** **6-25%** **0-11%** **30-80%**	**5%** **10%** **2%** **61%**
CMBS	**13**	Discounted cash flows (vendor pricing)	Yield	**2-4%**	**4%**
Other assets:					
Retained interests in securitizations[2]	**37**	Discounted cash flows	Life of receivables (months) Voluntary prepayment rate Discount rate Default rate Loss severity	**30-37** **9-18%** **4-8%** **1-3%** **80-291%**	**N/A**
Net derivative assets (liabilities)	**(12)**	Discounted cash flows	Swap rates	**3%**	**3%**

(Dollars in millions)	Fair Value at December 31, 2021	Quantitative Information about Level 3 Fair Value Measurements: Significant Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average[1]
Securities available for sale:					
RMBS	$ 258	Discounted cash flows (vendor pricing)	Yield Voluntary prepayment rate Default rate Loss severity	0-21% 5-40% 1-11% 30-100%	3% 11% 2% 65%
CMBS	9	Discounted cash flows (vendor pricing)	Yield	1-2%	1%
Other assets:					
Retained interests in securitizations[2]	41	Discounted cash flows	Life of receivables (months) Voluntary prepayment rate Discount rate Default rate Loss severity	29-36 9-18% 2-8% 3-4% 72-151%	N/A
Net derivative assets (liabilities)	19	Discounted cash flows	Swap rates	1-2%	2%

(1) Weighted averages are calculated by using the product of the input multiplied by the relative fair value of the instruments.

(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 June 30, 2022 and December 31, 2021, and for which a nonrecurring fair value measurement was recorded during the six and twelve months then ended.

Table 11.4: Nonrecurring Fair Value Measurements

	June 30, 2022		
	Estimated Fair Value Hierarchy		
(Dollars in millions)	Level 2	Level 3	Total
Loans held for investment	**$ 0**	**$ 205**	**$ 205**
Loans held for sale	**91**	**0**	**91**
Other assets[1]	**0**	**91**	**91**
Total	**$ 91**	**$ 296**	**$ 387**

	December 31, 2021		
	Estimated Fair Value Hierarchy		
(Dollars in millions)	Level 2	Level 3	Total
Loans held for investment	$ 0	$ 194	$ 194
Loans held for sale	118	0	118
Other assets[1]	0	325	325
Total	$ 118	$ 519	$ 637

(1) As of June 30, 2022, other assets included investments accounted for under measurement alternative of $1 million, repossessed assets of $52 million and long-lived assets held for sale of $38 million. As of December 31, 2021, other assets included equity method investments of $50 million, investments accounted for under measurement alternative of $29 million, repossessed assets of $40 million and long-lived assets held for sale of $206 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 100%, with a weighted average of 20%, and from 0% to 100%, with a weighted average of 13%, as of June 30, 2022 and December 31, 2021, 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.

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 June 30, 2022 and 2021.

Table 11.5: Nonrecurring Fair Value Measurements Included in Earnings

	Total Gains (Losses)	
	Six Months Ended June 30,	
(Dollars in millions)	2022	2021
Loans held for investment	**$ 31**	$ (97)
Loans held for sale	**(6)**	0
Other assets[1]	**(28)**	(61)
Total	**$ (3)**	$ (158)

(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.

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 June 30, 2022 and December 31, 2021.

Table 11.6: Fair Value of Financial Instruments

	June 30, 2022				
			Estimated Fair Value Hierarchy		
(Dollars in millions)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	**$ 21,553**	**$ 21,553**	**$ 4,825**	**$ 16,728**	**$ 0**
Restricted cash for securitization investors	**697**	**697**	**697**	**0**	**0**
Net loans held for investment	**284,893**	**287,254**	**0**	**0**	**287,254**
Loans held for sale	**108**	**110**	**0**	**110**	**0**
Interest receivable	**1,611**	**1,611**	**0**	**1,611**	**0**
Other investments[1]	**1,735**	**1,735**	**0**	**1,735**	**0**
Financial liabilities:					
Deposits with defined maturities	**22,225**	**22,026**	**0**	**22,026**	**0**
Securitized debt obligations	**17,466**	**17,446**	**0**	**17,446**	**0**
Senior and subordinated notes	**30,489**	**30,152**	**0**	**30,152**	**0**
Federal funds purchased and securities loaned or sold under agreements to repurchase	**440**	**440**	**0**	**440**	**0**
Other borrowings[2]	**10,500**	**10,501**	**0**	**10,501**	**0**
Interest payable	**333**	**333**	**0**	**333**	**0**

	December 31, 2021				
			Estimated Fair Value Hierarchy		
(Dollars in millions)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 21,746	$ 21,746	$ 4,164	$ 17,582	$ 0
Restricted cash for securitization investors	308	308	308	0	0
Net loans held for investment	265,910	270,508	0	0	270,508
Loans held for sale	4,862	5,091	0	5,091	0
Interest receivable	1,460	1,460	0	1,460	0
Other investments[1]	1,344	1,344	0	1,344	0
Financial liabilities:					
Deposits with defined maturities	17,923	18,062	0	18,062	0
Securitized debt obligations	14,994	15,122	0	15,122	0
Senior and subordinated notes	27,219	27,842	0	27,842	0
Federal funds purchased and securities loaned or sold under agreements to repurchase	820	820	0	820	0
Interest payable	281	281	0	281	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 exclude capital lease obligations.

NOTE 12—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 customers served: Credit Card, Consumer Banking and Commercial Banking. The operations of acquired businesses have been integrated into or managed as a part of 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.

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 17—Business Segments and Revenue from Contracts with Customers" in our 2021 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. The following table presents our business segment results for the three and six months ended June 30, 2022 and 2021, selected balance sheet data as of June 30, 2022 and 2021, and a reconciliation of our total business segment results to our reported consolidated income from continuing operations, loans held for investment and deposits.

Table 12.1: Segment Results and Reconciliation

	Three Months Ended June 30, 2022				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Net interest income (loss)	$ 3,899	$ 2,147	$ 635	$ (164)	$ 6,517
Non-interest income (loss)	1,410	96	272	(63)	1,715
Total net revenue (loss)[2]	5,309	2,243	907	(227)	8,232
Provision for credit losses	581	281	222	1	1,085
Non-interest expense	2,771	1,286	485	41	4,583
Income (loss) from continuing operations before income taxes	1,957	676	200	(269)	2,564
Income tax provision (benefit)	466	160	48	(141)	533
Income (loss) from continuing operations, net of tax	$ 1,491	$ 516	$ 152	$ (128)	$ 2,031
Loans held for investment	$ 120,880	$ 81,531	$ 93,973	$ 0	$ 296,384
Deposits	0	255,904	38,844	13,137	307,885

(Dollars in millions)	Six Months Ended June 30, 2022				
	Credit Card	**Consumer Banking**	**Commercial Banking[1]**	**Other[1]**	**Consolidated Total**
Net interest income (loss)	**$ 7,738**	**$ 4,260**	**$ 1,242**	**$ (326)**	**$ 12,914**
Non-interest income (loss)	**2,868**	**201**	**549**	**(127)**	**3,491**
Total net revenue (loss)[2]	**10,606**	**4,461**	**1,791**	**(453)**	**16,405**
Provision (benefit) for credit losses	**1,126**	**411**	**230**	**(5)**	**1,762**
Non-interest expense	**5,554**	**2,522**	**973**	**85**	**9,134**
Income (loss) from continuing operations before income taxes	**3,926**	**1,528**	**588**	**(533)**	**5,509**
Income tax provision (benefit)	**935**	**362**	**140**	**(362)**	**1,075**
Income (loss) from continuing operations, net of tax	**$ 2,991**	**$ 1,166**	**$ 448**	**$ (171)**	**$ 4,434**
Loans held for investment	**$ 120,880**	**$ 81,531**	**$ 93,973**	**$ 0**	**$ 296,384**
Deposits	**0**	**255,904**	**38,844**	**13,137**	**307,885**

(Dollars in millions)	Three Months Ended June 30, 2021				
	Credit Card	**Consumer Banking**	**Commercial Banking[1]**	**Other[1]**	**Consolidated Total**
Net interest income (loss)	$ 3,217	$ 2,101	$ 460	$ (35)	$ 5,743
Non-interest income (loss)	1,253	144	257	(23)	1,631
Total net revenue (loss)[2]	4,470	2,245	717	(58)	7,374
Provision (benefit) for credit losses	(635)	(306)	(219)	0	(1,160)
Non-interest expense	2,263	1,123	417	163	3,966
Income (loss) from continuing operations before income taxes	2,842	1,428	519	(221)	4,568
Income tax provision (benefit)	672	337	123	(101)	1,031
Income (loss) from continuing operations, net of tax	$ 2,170	$ 1,091	$ 396	$ (120)	$ 3,537
Loans held for investment	$ 101,017	$ 74,759	$ 73,821	$ 0	$ 249,597
Deposits	0	251,155	42,973	12,180	306,308

(Dollars in millions)	Six Months Ended June 30, 2021				
	Credit Card	**Consumer Banking**	**Commercial Banking[1]**	**Other[1]**	**Consolidated Total**
Net interest income (loss)	$ 6,589	$ 4,131	$ 980	$ (135)	$ 11,565
Non-interest income (loss)	2,282	285	497	(142)	2,922
Total net revenue (loss)[2]	8,871	4,416	1,477	(277)	14,487
Provision (benefit) for credit losses	(1,127)	(432)	(422)	(2)	(1,983)
Non-interest expense	4,398	2,240	836	232	7,706
Income (loss) from continuing operations before income taxes	5,600	2,608	1,063	(507)	8,764
Income tax provision (benefit)	1,325	615	251	(291)	1,900
Income (loss) from continuing operations, net of tax	$ 4,275	$ 1,993	$ 812	$ (216)	$ 6,864
Loans held for investment	$ 101,017	$ 74,759	$ 73,821	$ 0	$ 249,597
Deposits	0	251,155	42,973	12,180	306,308

(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) Total net revenue was reduced by $211 million and $403 million in the three and six months ended June 30, 2022, respectively, and $175 million and $355 million in the three and six months ended June 30, 2021, respectively, for credit card finance charges and fees charged off as uncollectible.

Revenue from Contracts with Customers

The majority of our revenue from contracts with customers consists of interchange fees, service charges and other customer-related fees, and other contract revenue. 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 automated teller machine ("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 in our Credit Card business consists primarily of revenue from our partnership arrangements. Other contract revenue in our Consumer Banking business consists primarily of revenue earned on certain marketing and promotional events from our auto dealers. 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 six months ended June 30, 2022 and 2021.

Table 12.2: Revenue from Contracts with Customers and Reconciliation to Segment Results

	Three Months Ended June 30, 2022				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Contract revenue:					
Interchange fees, net[2]	$ 1,093	$ 80	$ 28	$ 0	$ 1,201
Service charges and other customer-related fees	0	21	63	0	84
Other	98	21	3	0	122
Total contract revenue	1,191	122	94	0	1,407
Revenue (reduction) from other sources	219	(26)	178	(63)	308
Total non-interest income (loss)	$ 1,410	$ 96	$ 272	$ (63)	$ 1,715

	Six Months Ended June 30, 2022				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Contract revenue:					
Interchange fees, net[2]	$ 2,030	$ 151	$ 52	$ 1	$ 2,234
Service charges and other customer-related fees	0	47	128	(1)	174
Other	193	38	1	0	232
Total contract revenue	2,223	236	181	0	2,640
Revenue (reduction) from other sources	645	(35)	368	(127)	851
Total non-interest income (loss)	$ 2,868	$ 201	$ 549	$ (127)	$ 3,491

	Three Months Ended June 30, 2021				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Contract revenue:					
Interchange fees, net[2]	$ 925	$ 67	$ 24	$ 0	$ 1,016
Service charges and other customer-related fees	0	45	66	0	111
Other	94	19	1	0	114
Total contract revenue	1,019	131	91	0	1,241
Revenue (reduction) from other sources	234	13	166	(23)	390
Total non-interest income (loss)	$ 1,253	$ 144	$ 257	$ (23)	$ 1,631

(Dollars in millions)	Six Months Ended June 30, 2021				
	Credit Card	**Consumer Banking**	**Commercial Banking[1]**	**Other[1]**	**Consolidated Total**
Contract revenue:					
Interchange fees, net[2]	$ 1,668	$ 124	$ 41	$ 0	$ 1,833
Service charges and other customer-related fees	0	89	116	0	205
Other	164	38	2	0	204
Total contract revenue	1,832	251	159	0	2,242
Revenue (reduction) from other sources	450	34	338	(142)	680
Total non-interest income (loss)	$ 2,282	$ 285	$ 497	$ (142)	$ 2,922

(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) Interchange fees are presented net of customer reward expenses.

NOTE 13—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 customer. 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 June 30, 2022 and December 31, 2021. The carrying value represents our reserve and deferred revenue on legally binding commitments.

Table 13.1: Unfunded Lending Commitments

	Contractual Amount		Carrying Value	
(Dollars in millions)	**June 30, 2022**	**December 31, 2021**	**June 30, 2022**	**December 31, 2021**
Credit card lines	**$ 352,863**	$ 368,508	**N/A**	N/A
Other loan commitments[1]	**48,493**	44,572	**$ 193**	$ 125
Standby letters of credit and commercial letters of credit[2]	**1,504**	1,419	**31**	24
Total unfunded lending commitments	**$ 402,860**	$ 414,499	**$ 224**	$ 149

(1) Includes $4.4 billion and $3.9 billion of advised lines of credit as of June 30, 2022 and December 31, 2021, respectively.

(2) These financial guarantees have expiration dates that range from 2022 to 2027 as of June 30, 2022.

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. Beginning January 1, 2020, we elected the fair value option on new loss sharing agreements. Unrealized gains and losses are recorded in other non-interest income in our consolidated statements of income. For those loss sharing agreements entered into as of and prior to December 31, 2019, we amortize the liability recorded at inception into non-interest income as we are released from risk of payment under the loss sharing agreement and record our estimate of expected credit losses each period in provision for credit losses in our consolidated statements of income. The liability recognized on our consolidated balance sheets for these loss sharing agreements was $88 million and $90 million as of June 30, 2022 and December 31, 2021, respectively. See "Note 4—Allowance for Credit Losses and Reserve for Unfunded Lending Commitments" for more information related to our credit card partnership loss sharing arrangements.

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 June 30, 2022 are approximately $200 million. 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 settlement of $5.5 billion for the monetary damages class received final approval from the trial court, and has been appealed to the U.S. Court of Appeals for the Second Circuit. Visa and MasterCard have also settled a number 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.

Cybersecurity Incident

On July 29, 2019, we announced that on March 22 and 23, 2019 an outside individual gained unauthorized access to our systems. This individual 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"). As a result of the Cybersecurity Incident, 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. We were named as a defendant in approximately 75 putative consumer class action cases (primarily in U.S. courts with cases also 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. The U.S. consumer class actions have been consolidated for pretrial proceedings before a multi-district litigation ("MDL") panel in the U.S. District Court for the Eastern District of Virginia, Alexandria Division. In the third quarter of 2020, the MDL court denied in part and granted in part Capital One's motion to dismiss and permitted pretrial discovery to continue. In the fourth quarter of 2021, the parties agreed to a settlement of the U.S. consumer class action cases for an amount within existing reserves. The parties are in the process of seeking the required court approval of the class settlement. In the second quarter of 2022, a trial court in British Columbia preliminarily certified a class of all

impacted Canadian consumers except those in Quebec, which under Canadian law would allow the case to proceed with discovery on a classwide basis. The preliminary certification decision has been appealed.

Securities class action. The Company and certain officers have also been named as defendants in a putative class action pending in the MDL 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 July 23, 2015 to July 29, 2019, as well as unspecified monetary damages, costs and other relief. The Company's motion to dismiss the case is pending.

Governmental inquiries. We have received inquiries and requests for information relating to the Cybersecurity Incident from Congress, federal regulators, relevant Canadian regulators, the Department of Justice, and the offices of approximately fourteen state Attorneys General. We have cooperated with these offices and responded to their inquiries.

In August 2020, we entered into consent orders with the Federal Reserve and the OCC resulting from regulatory reviews of the Cybersecurity Incident and relating to ongoing enhancements of our cybersecurity and operational risk management processes. We paid an $80 million penalty to the U.S. Treasury as part of the OCC agreement. The Federal Reserve agreement did not contain a monetary penalty.

Taxi Medallion Finance Investigations

Beginning in 2019, we have received subpoenas from the New York Attorney General's office and from the U.S. Attorney's Office for the Southern District of New York, Civil and Criminal Divisions, 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 have cooperated with these investigations.

U.K. PPI Litigation

In the U.K., we previously sold payment protection insurance ("PPI"). For several years leading up to the claims submission deadline of August 29, 2019 (as set by the U.K. Financial Conduct Authority), we received customer complaints and regulatory claims relating to PPI. COEP has materially resolved the PPI complaints and regulatory claims received prior to the deadline. Some of the claimants in the U.K. PPI regulatory claims process have subsequently initiated legal proceedings, seeking additional redress. We are responding to these proceedings as we receive them.

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.

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 June 30, 2022, 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 June 30, 2022, 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 second quarter of 2022 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The information required by Item 103 of Regulation S-K is included in "Note 13—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 2021 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information related to the repurchases of shares of our common stock for each calendar month in the second quarter of 2022. Commission costs are excluded from the amounts presented below.

	Total Number of Shares Purchased[1]	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans[2]	Maximum Amount That May Yet be Purchased Under the Plan or Program[2] *(in millions)*
April	**6,117,164**	**$ 132.85**	**6,117,164**	**$ 1,819**
May	**6,428,659**	**121.69**	**6,383,209**	**1,043**
June	**3,299,734**	**119.17**	**3,299,734**	**649**
Total	**15,845,557**	**125.47**	**15,800,107**	

(1) There were 45,450 shares withheld in May, respectively, to cover taxes on restricted stock units ("RSUs") whose restrictions have lapsed.

(2) Amounts reflected in this table only relate to the $5 billion Board of Directors authorization made in January 2022. In April 2022, our Board of Directors authorized the repurchase of up to an additional $5 billion of shares of our common stock beginning in the third quarter of 2022. See "MD&A—Capital Management—Dividend Policy and Stock Purchases" for more information.

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.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Capital One Financial Corporation (as restated May 1, 2020) (incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K, filed on May 4, 2020).
3.2	Amended and Restated Bylaws of Capital One Financial Corporation, dated September 23, 2021 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on September 29, 2021).
4.1	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.
10.1+*	Form of Restricted Stock Unit Award Agreement granted to our directors under the Sixth Amended and Restated 2004 Stock Incentive Plan.
31.1*	Certification of Richard D. Fairbank.
31.2*	Certification of Andrew M. Young.
32.1**	Certification of Richard D. Fairbank.
32.2**	Certification of Andrew M. Young.
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 June 30, 2022, formatted in Inline XBRL (included within the Exhibit 101 attachments).

+ Represents a management contract or compensatory plan or arrangement.

* 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.

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: July 29, 2022

By: /s/ ANDREW M. YOUNG
Andrew M. Young
Chief Financial Officer

CAPITAL ONE FINANCIAL CORPORATION
2004 Stock Incentive Plan
Restricted Stock Unit Award Agreement

No. of Units: [# Units]

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated [Day][Month], [Year] (the "Date of Grant"), between CAPITAL ONE FINANCIAL CORPORATION, a Delaware corporation ("Capital One" or the "Company"), and **[Full Name]** ("you"), is made pursuant and subject to the provisions of the Company's 2004 Stock Incentive Plan, as amended and restated (the "Plan"). All capitalized terms used herein that are defined in the Plan shall have the same meaning given them in the Plan unless otherwise defined herein:

W I T N E S S E T H :

1. Grant of Restricted Stock Units. Pursuant and subject to the terms and conditions set forth in this Agreement and in the Plan, Capital One hereby grants to you [# Units] Restricted Stock Units (the "Restricted Stock Units"). The Restricted Stock Units shall vest, and the shares of common stock of the Company, $.01 par value per share (the "Shares"), underlying the Restricted Stock Units shall be issuable, only in accordance with the provisions of this Agreement and of the Plan.

2. Issuance of Common Stock.

(a) Vesting. Except as provided in Section 2(b) below, all Restricted Stock Units shall, to the extent not previously vested or forfeited as provided herein, vest on the first anniversary of the Date of Grant (the "Vesting Date"); provided, however, that the underlying Shares shall not be issued to you or be assignable or transferable by you until the date of termination of your service as a Director of the Company (the "Termination Date"), as provided in Section 2(b) below.

The vesting of the Restricted Stock Units and the issuance of the underlying Shares shall be subject to Sections 6 through Section 9 of this Agreement.

(b) Effect of Termination of Service. Upon your termination of service as a Director of the Company for any reason other than by removal for cause, all Restricted Stock Units shall, to the extent not previously vested or forfeited as provided herein, immediately vest, and the underlying Shares shall immediately be issuable to you in full without restrictions on transferability. Upon your termination of service as a Director by removal for cause, all Restricted Stock Units and the underlying Shares, including any Shares accrued in connection with the payment of dividends as provided in Section 5 below, shall immediately be forfeited, whether or not previously vested.

3. Non-Transferability. Subject to the provisions of Section 2 hereof, the rights represented by the Restricted Stock Units and the underlying Shares related thereto shall not be assignable or transferable, or otherwise alienated or pledged or hypothecated or otherwise encumbered under any circumstances. Any purported or attempted assignment, transfer, alienation, pledge, hypothecation or encumbrance of the Restricted Stock Units or the underlying Shares related thereto prior to their issuance to you shall be null and void and shall result in the immediate forfeiture of such Restricted Stock Units, including the underlying Shares, and cancellation of this Agreement.

4. Modification and Waiver. Except as provided in the Plan with respect to determinations of the board of directors of the Company (the "Board") or the Compensation Committee of the Board (the "Committee") and subject to the Committee's right to amend the Plan, neither this Agreement nor any provision hereof can be changed, modified, amended, discharged, terminated or waived orally or by any course of dealing or purported course of dealing, but only by an agreement in writing signed by you and the Company; provided that changes, modifications and amendments not detrimental to you may be made in writing signed only by the Company. No such agreement shall extend to or affect any provision of this Agreement not expressly changed, modified, amended, discharged, terminated or waived or impair any right consequent on such a provision. The waiver of or failure to enforce any breach of this Agreement shall not be deemed to be a waiver or acquiescence in any other breach thereof.

5. Dividends. Dividends with respect to the Restricted Stock Units shall accrue beginning on the Date of Grant through the Termination Date, at which time such accrued dividends shall be paid out in the form of additional Shares based on the Fair Market Value of a share of the Company's common stock on the business day

prior to the Termination Date. The accrued dividends that shall be paid out to you shall be only such amount that has accrued with respect to the underlying Shares that vest on the Vesting Date or as described in Section 2(b) above.

6. Governing Law. This Agreement shall be governed by United States federal law and, to the extent not preempted thereby, by the laws of the State of Delaware. Capital One and you hereby consent and submit to the personal jurisdiction and venue of any state or federal court located in any city or county of Delaware for resolution of any and all claims, causes of action or disputes arising out of this Agreement. You and Capital One agree that the court shall not set aside the Committee's determinations unless there is clear and convincing evidence of bad faith or fraud.

7. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and the provisions of this Agreement, except as provided otherwise herein, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the date hereof.

8. Bound by Plan. In consideration of this grant of Restricted Stock Units, you agree that you will comply with such conditions as the Board and the Committee may impose on the Restricted Stock Units and be bound by the terms of the Plan.

9. Binding Effect. This Agreement shall be binding upon, enforceable against and inure to the benefit of you and your legatees, distributees and personal representatives, and the Company and its successors and assigns.

10. Rights as a Stockholder. You shall have no rights of a stockholder with respect to the underlying Shares related to the Restricted Stock Units, including, but not limited to, the right to vote and to receive dividends, unless and until such Shares are transferred to you pursuant to the Plan and this Agreement.

11. Severability. This Agreement shall be enforceable to the fullest extent allowed by law. In the event that any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, then that provision shall be reduced, modified or otherwise conformed to the relevant law, judgment or determination to the degree necessary to render it valid and enforceable without affecting the validity, legality or enforceability of any other provision of this Agreement or the validity, legality or enforceability of such provision in any other jurisdiction. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be deemed severable from the remainder of this Agreement, and the remaining provisions contained in this Agreement shall be construed to preserve to the maximum permissible extent the intent and purposes of this Agreement.

12. Counterparts. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

13. Miscellaneous. In accepting the grant, you acknowledge and agree that:

(a) this Agreement is intended to comply with the applicable requirements of Section 409A of the Code as it relates to U.S. taxpayers and shall be limited, construed and interpreted in a manner so as to comply therewith;

(b) your obligations under this Agreement shall survive any termination of your service for any reason;

(c) any of the Company's rights or remedies under this Agreement shall be cumulative and in addition to whatever other remedies the Company may have under law or equity;

(d) the Company may, to the maximum extent permitted by applicable law and Section 409A of the Code as it relates to U.S. taxpayers, retain for itself funds or securities otherwise payable to you pursuant to this Agreement to satisfy any obligation or debt that you owe the Company, including any obligations hereunder. The Company may not retain such funds or securities until such time as they would otherwise be distributable to you in accordance with this Agreement;

(e) the Company reserves the right to impose other requirements on the Restricted Stock Units, any Shares acquired pursuant to the Restricted Stock Units, and your participation in the Plan, to the extent Capital One determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local laws, rules and regulations, or to facilitate the administration of the Restricted

Stock Units and the Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing; and

(f) Capital One from time to time distributes and makes available disclosure documents, including a prospectus, relating to the Plan. You may also contact the HR Help Center to obtain copies of the Plan disclosure documents and the Plan. You represent that you are familiar with the terms of the Plan and have had the opportunity to ask questions and receive answers concerning the terms and conditions of the Restricted Stock Units. As a condition of this award and your right to receive Restricted Stock Units and the underlying Shares, you must accept this Agreement. By doing so, you confirm the accuracy of the statement set forth in the third sentence of this paragraph, acknowledge receipt of the Plan and the Plan disclosure documents and evidence your acceptance of and agreement to be bound by the terms of this Agreement and the Plan.

IN WITNESS WHEREOF, CAPITAL ONE FINANCIAL CORPORATION has caused this Agreement to be signed on its behalf.

CAPITAL ONE FINANCIAL CORPORATION

By:

_____
Kaitlin Haggerty
Chief Human Resources Officer

PARTICIPANT

By:

_____
[Full Name]

BY ELECTRONICALLY ACCEPTING THE AWARD, YOU AGREE THAT (i) SUCH ACCEPTANCE CONSTITUTES YOUR ELECTRONIC SIGNATURE IN EXECUTION OF THIS AGREEMENT; (ii) YOU AGREE TO BE BOUND BY THE PROVISIONS OF THE PLAN AND THIS AGREEMENT; (iii) YOU HAVE REVIEWED THE PLAN AND THIS AGREEMENT IN THEIR ENTIRETY, HAVE HAD AN OPPORTUNITY TO OBTAIN THE ADVICE OF COUNSEL PRIOR TO ACCEPTING THE AWARD AND FULLY UNDERSTAND ALL OF THE PROVISIONS OF THE PLAN AND THIS AGREEMENT; (iv) YOU HAVE BEEN PROVIDED WITH A COPY OR ELECTRONIC ACCESS TO A COPY OF THE U.S. PROSPECTUS FOR THE PLAN; AND (v) YOU HEREBY AGREE TO ACCEPT AS BINDING, CONCLUSIVE AND FINAL ALL DECISIONS OR INTERPRETATIONS OF THE COMMITTEE UPON ANY QUESTIONS ARISING UNDER THE PLAN AND THIS AGREEMENT.

* * * * *

Exhibit 31.1

CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q OF CAPITAL ONE FINANCIAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

I, Richard D. Fairbank, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 of Capital One Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2022

By: /s/ RICHARD D. FAIRBANK
Richard D. Fairbank
Chair and Chief Executive Officer

Exhibit 31.2

CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q OF CAPITAL ONE FINANCIAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

I, Andrew M. Young, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 of Capital One Financial Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2022

By: /s/ ANDREW M. YOUNG
Andrew M. Young
Chief Financial Officer

Exhibit 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Richard D. Fairbank, Chairman and Chief Executive Officer of Capital One Financial Corporation ("Capital One"), a Delaware corporation , do hereby certify that:

1. The Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (the "Form 10-Q") of Capital One fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Capital One.

Date: July 29, 2022

By: /s/ RICHARD D. FAIRBANK
Richard D. Fairbank
Chair and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Capital One and will be retained by Capital One and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Andrew M. Young, Chief Financial Officer of Capital One Financial Corporation ("Capital One"), a Delaware corporation, do hereby certify that:

1. The Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (the "Form 10-Q") of Capital One fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Capital One.

Date: July 29, 2022

By: /s/ ANDREW M. YOUNG
Andrew M. Young
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Capital One and will be retained by Capital One and furnished to the Securities and Exchange Commission or its staff upon request.