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 March 31, 2021

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 G	COF PRG	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series H	COF PRH	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
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 April 30, 2021, there were 451,489,343 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 "Note 13—Commitments, Contingencies, Guarantees and Others" as well as the potential impacts of the 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 2020 Annual Report on Form 10-K ("2020 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 March 31, 2021 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 2020 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") offer a broad array of financial products and services to consumers, small businesses and commercial clients through digital channels, branches, Cafés and other distribution channels.

As of March 31, 2021, our principal subsidiaries included:

- Capital One Bank (USA), National Association ("COBNA"), which offers credit and debit card products, other lending products and deposit products; 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 Canada and the United Kingdom ("U.K.").

- *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 of certain assets, branches, partnership agreements or lines of business.

In the fourth quarter of 2020, we entered into an agreement to sell a partnership credit card loan portfolio of approximately $2.1 billion, which had been transferred to held for sale as of September 30, 2020, resulting in an allowance release of $327 million.

Coronavirus Disease 2019 (COVID-19) Pandemic

The COVID-19 pandemic has resulted in a global public-health crisis, disrupting economies and introducing significant volatility into financial markets and uncertainty as to when economic and operating conditions will return to normalcy. This crisis continues to impact individuals, households and businesses in a multitude of ways. Companies in the United States of America ("U.S.") and abroad have experienced unprecedented disruptions to normal business operations, including customer-facing interactions, supply chains, office closures, changes in demand for products and services, and others. Financial institutions, including us, have been deemed an essential service and exempted from the myriad of shutdowns across the country. We have transformed how we work in order to protect the well-being of our associates and our customers, serve our customers, support our communities, and position ourselves to navigate the challenges ahead.

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 will continue to work remotely through at least the summer of 2021, as we continue to prioritize their safety while planning our return to the office. We have been able to continue serving customers, successfully managing critical functions and keeping our lines of business operating. We have implemented additional paid benefits and flexible attendance policies that are intended to enable our associates to care for their families and loved ones, including increased pay for branch and Café associates working in open locations, associates that perform essential and time-sensitive banking activities that cannot be performed remotely, and other U.S.-based associates in roles instrumental to maintaining essential customer support. We continue to monitor and revise our safety precautions and policies at banking locations as government authorities continue to implement and modify measures to contain the further spread of COVID-19. In our Retail Banking business, we have reopened nearly all of our Cafés and branches across our network with increased safety precautions. We will continue to monitor local conditions to ensure the safety of our associates and customers while providing critical banking services.

Beginning in March 2020, we offered a range of policies and programs to accommodate customer hardship across our lines of business, with the largest program offerings in our Auto and Domestic Credit Card businesses. Enrollments in these programs peaked early in the pandemic and have declined to low levels thereafter. In addition, we continue to participate in the Paycheck Protection Program ("PPP"), established by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") enacted in March 2020 and implemented by the Small Business Administration. See "MD&A—Credit Risk Profile" for more information about our customer assistance programs and enrollment volumes.

We reported net income of $3.3 billion ($7.03 per diluted common share) for the first quarter of 2021, which reflects an allowance release of $1.6 billion. The allowance release was driven by strong credit performance and an improved economic outlook. Our allowance coverage ratio of 5.77% as of March 31, 2021 remains well above pre-pandemic levels. For more information, see "MD&A—Executive Summary and Business Outlook" and "MD&A—Credit Risk Profile." We have incorporated recent market events and trends into our valuations of instruments measured at fair value. See more details in "MD&A—Critical Accounting Policies and Estimates," "MD&A—Market Risk Profile" and "Note 8—Derivative Instruments and Hedging Activities." See "MD&A—Liquidity Risk Profile" for information relating to our liquidity reserves as of March 31, 2021.

After seeing impacts to the demand for our products and services to varying degrees in 2020 due to the COVID-19 pandemic, we saw significant improvements in the first quarter of 2021. In our Domestic Card business, the year-over-year percentage change in ending loan balances this quarter was approximately the same as it was last quarter. Rebounding spend levels were offset by the effects of government stimulus on Card payment rates, which continue to pressure loan balances. In our Auto business, we saw an increase in origination volumes and loan growth driven by our relationship strategy and digital capabilities along with strong industry sales. In our Retail Banking business, we continue to see high deposit volumes driven by increased consumer savings aided by the impact of recently passed government stimulus. In our Commercial Banking business, revenue was up year-over-year as margins improved. Deposit balances were up significantly, reflecting the impact of the economic environment and government stimulus on our customers, while average loan balances declined modestly.

We are actively monitoring and responding to developments across the myriad of landscapes affected by the COVID-19 pandemic, including social, financial, legal, regulatory and governmental. As guidance is issued by governments and our regulators, we continue to assess the impacts on us. As government authorities continue to implement, modify and reinstate social distancing and reopening plans and other measures to contain the further spread of COVID-19, we will continue to adjust our business operations, policies and practices, keeping the best interests of our associates, customers and business partners at the forefront.

See "Part I—Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for additional information regarding risks and the significant uncertainties relating to the COVID-19 pandemic.

SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data and performance from our results of operations for the first quarters of 2021 and 2020 and selected comparative balance sheet data as of March 31, 2021 and December 31, 2020. 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 March 31,		
(Dollars in millions, except per share data and as noted)	**2021**	**2020**	**Change**
Income statement			
Net interest income	**$ 5,822**	$ 6,025	(3)%
Non-interest income	**1,291**	1,224	5
Total net revenue	**7,113**	7,249	(2)
Provision (benefit) for credit losses	**(823)**	5,423	**
Non-interest expense:			
Marketing	**501**	491	2
Operating expense	**3,239**	3,238	—
Total non-interest expense	**3,740**	3,729	—
Income (loss) from continuing operations before income taxes	**4,196**	(1,903)	**
Income tax provision (benefit)	**869**	(563)	**
Income (loss) from continuing operations, net of tax	**3,327**	(1,340)	**
Income (loss) from discontinued operations, net of tax	**(2)**	—	**
Net income (loss)	**3,325**	(1,340)	**
Dividends and undistributed earnings allocated to participating securities	**(28)**	(3)	**
Preferred stock dividends	**(61)**	(55)	11
Issuance cost for redeemed preferred stock	**—**	(22)	**
Net income (loss) available to common stockholders	**$ 3,236**	$ (1,420)	**
Common share statistics			
Basic earnings per common share:			
Net income (loss) from continuing operations	**$ 7.06**	$ (3.10)	**
Net income (loss) per basic common share	**$ 7.06**	$ (3.10)	**

(Dollars in millions, except per share data and as noted)	Three Months Ended March 31, 2021	2020	Change
Diluted earnings per common share:			
Net income (loss) from continuing operations	**$ 7.03**	$ (3.10)	**
Net income (loss) per diluted common share	**$ 7.03**	$ (3.10)	**
Weighted-average common shares outstanding (in millions):			
Basic	**458.6**	457.6	—
Diluted	**460.1**	457.6	1 %
Common shares outstanding (period-end, in millions)	**456.8**	455.3	—
Dividends declared and paid per common share	**$ 0.40**	$ 0.40	—
Tangible book value per common share (period-end)[1]	**90.96**	80.68	13
Balance sheet (average balances)			
Loans held for investment	**$ 243,937**	$ 262,889	(7) %
Interest-earning assets	**388,572**	355,347	9
Total assets	**421,808**	390,380	8
Interest-bearing deposits	**273,358**	241,115	13
Total deposits	**305,056**	264,653	15
Borrowings	**39,911**	51,795	(23)
Common equity	**55,775**	53,186	5
Total stockholders’ equity	**60,623**	58,568	4
Selected performance metrics			
Purchase volume	**$ 108,333**	$ 99,920	8 %
Total net revenue margin[2]	**7.32 %**	8.16 %	(84)bps
Net interest margin	**5.99**	6.78	(79)
Return on average assets[3]	**3.16**	(1.37)	**
Return on average tangible assets[4]	**3.27**	(1.43)	**
Return on average common equity[5]	**23.22**	(10.68)	**
Return on average tangible common equity[6]	**31.61**	(14.85)	**
Equity-to-assets ratio[7]	**14.37**	15.00	(63)
Non-interest expense as a percentage of average loans held for investment	**6.13**	5.67	46
Efficiency ratio[8]	**52.58**	51.44	114
Operating efficiency ratio[9]	**45.54**	44.67	87
Effective income tax rate from continuing operations	**20.7**	29.6	(9) %
Net charge-offs	**$ 740**	$ 1,791	(59)
Net charge-off rate	**1.21 %**	2.72 %	(151)bps

(Dollars in millions, except as noted)	March 31, 2021	December 31, 2020	Change
Balance sheet (period-end)			
Loans held for investment	**$ 243,131**	$ 251,624	(3) %
Interest-earning assets	**392,485**	388,917	1
Total assets	**425,175**	421,602	1
Interest-bearing deposits	**276,325**	274,300	1
Total deposits	**310,328**	305,442	2
Borrowings	**38,450**	40,539	(5)
Common equity	**56,341**	55,356	2
Total stockholders' equity	**61,188**	60,204	2
Credit quality metrics			
Allowance for credit losses	**$ 14,017**	$ 15,564	(10) %
Allowance as a percentage of loans held for investment ("allowance coverage ratio")	**5.77 %**	6.19 %	(42)bps
30+ day performing delinquency rate	**1.82**	2.41	(59)
30+ day delinquency rate	**1.98**	2.61	(63)
Capital ratios			
Common equity Tier 1 capital[10]	**14.6 %**	13.7 %	90 bps
Tier 1 capital[10]	**16.2**	15.3	90
Total capital[10]	**18.6**	17.7	90
Tier 1 leverage[10]	**11.7**	11.2	50
Tangible common equity[11]	**10.1**	10.0	10
Supplementary leverage[10]	**11.3**	10.7	60
Other			
Employees (period end, in thousands)	**51.7**	52.0	(1) %

(1) Tangible book value per common share is a non-GAAP measure calculated based on tangible common equity 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 available to common stockholders less 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 ("TCE") is a non-GAAP measure calculated based on annualized net income available to common stockholders less income (loss) from discontinued operations, net of tax, for the period, divided by average tangible common equity. 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 AND BUSINESS OUTLOOK

Financial Highlights

We reported net income of $3.3 billion ($7.03 per diluted common share) on total net revenue of $7.1 billion for the first quarter of 2021. In comparison, we reported net loss of $1.3 billion ($3.10 per diluted common share) on total net revenue of $7.2 billion for the first quarter of 2020.

Our common equity Tier 1 capital ratio as calculated under the Basel III Standardized Approach was 14.6% and 13.7% as of March 31, 2021 and December 31, 2020, respectively. See "MD&A—Capital Management" for additional information.

On January 25, 2021, our Board of Directors authorized the repurchase of up to $7.5 billion of shares of our common stock and we repurchased approximately $490 million of shares of our common stock during the first quarter of 2021. See "MD&A—Capital Management—Dividend Policy and Stock Purchases" for additional information.

Below are additional highlights of our performance in the first quarter of 2021. These highlights are based on a comparison between the results of the first quarters of 2021 and 2020, 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 March 31, 2021 compared to December 31, 2020. We provide a more detailed discussion of our financial performance in the sections following this "Executive Summary and Business Outlook."

Total Company Performance

- *Earnings:* Our net income increased by $4.7 billion to $3.3 billion in the first quarter of 2021 compared to the first quarter of 2020 primarily driven by:

    - lower provision due to an allowance release in the first quarter of 2021 due to continued strong credit performance and an improved economic outlook compared to an allowance build in the first quarter of 2020 driven by the expected economic worsening and significant uncertainty at the start of the COVID-19 pandemic;

  This driver was partially offset by:

    - lower net interest income due to lower average outstanding balances in our domestic credit card loan portfolio, as well as higher interest-bearing deposit balances, partially offset by the lower interest rate paid on interest-bearing liabilities.

- *Loans Held for Investment*:

    - Period-end loans held for investment decreased by $8.5 billion to $243.1 billion as of March 31, 2021 from December 31, 2020 primarily due to expected seasonal paydowns in our domestic credit card loan portfolio as well as higher customer payments and the impact of government stimulus.

    - Average loans held for investment decreased by $19.0 billion to $243.9 billion in the first quarter of 2021 compared to the first quarter of 2020 primarily driven by lower outstanding balances in Domestic Card due to higher customer payments and the impact of government stimulus, partially offset by growth in our auto loan portfolio.

- *Net Charge-Off and Delinquency Metrics:* Our net charge-off rate decreased by 151 basis points to 1.21% in the first quarter of 2021 compared to the first quarter of 2020, driven by strong credit performance, including the impact of government stimulus in our domestic credit card and auto loan portfolios, as well as lower charge-offs in our commercial energy loan portfolio.

  Our 30+ day delinquency rate decreased by 63 basis points to 1.98% as of March 31, 2021 from December 31, 2020 due to seasonally lower delinquency inventories and strong credit performance in our domestic credit card and auto loan portfolios.

- *Allowance for Credit Losses:* Our allowance for credit losses decreased by $1.5 billion to $14.0 billion, and our allowance coverage ratio decreased by 42 basis points to 5.77% as of March 31, 2021 from December 31, 2020, driven by strong credit performance and an improved economic outlook.

Business Outlook

We discuss in this Report our expectations as of the time this Report was filed regarding our total company performance and the performance of our business segments based on market conditions, the regulatory environment and our business strategies. The statements contained in this Report are based on our current expectations regarding our outlook for our financial results and business strategies. Our expectations take into account, and should be read in conjunction with, our expectations regarding economic trends and analysis of our business as discussed in "Part I—Item 1. Business" and "Part II—Item 7. MD&A" in our 2020 Form 10-K. Certain statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those in our forward-looking statements. Except as otherwise disclosed, forward-looking statements do not reflect:

- any change in current dividend or repurchase strategies;
- the effect of any acquisitions, divestitures or similar transactions that have not been previously disclosed; or
- any changes in laws, regulations or regulatory interpretations, in each case after the date as of which such statements are made

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.

See "MD&A—Forward-Looking Statements" in this Report for more information on the forward-looking statements and "Part I—Item 1A. Risk Factors" in our 2020 Form 10-K for factors that could materially influence our results.

Business Segment Expectations

We expect that the Auto net charge-off rate will increase as used car auction prices decrease from elevated levels and the temporary favorable impact of government stimulus diminishes.

CONSOLIDATED RESULTS OF OPERATIONS

The section below provides a comparative discussion of our consolidated financial performance for the first quarters of 2021 and 2020. 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 and Business Outlook," 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 first quarters of 2021 and 2020 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 March 31,					
	2021			2020		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Loans:[1]						
Credit card	**$ 102,520**	**$ 3,713**	**14.49 %**	$ 122,854	$ 4,437	14.45 %
Consumer banking	**69,234**	**1,413**	**8.16**	63,672	1,347	8.46
Commercial banking[2]	**74,921**	**516**	**2.76**	77,105	746	3.87
Other[3]	**—**	**212**	**	—	12	**
Total loans, including loans held for sale	**246,675**	**5,854**	**9.49**	263,631	6,542	9.93
Investment securities	**98,296**	**391**	**1.59**	78,212	530	2.71
Cash equivalents and other interest-earning assets	**43,601**	**16**	**0.15**	13,504	37	1.10
Total interest-earning assets	**388,572**	**6,261**	**6.45**	355,347	7,109	8.00
Cash and due from banks	**5,085**			4,472		
Allowance for credit losses	**(15,548)**			(10,408)		
Premises and equipment, net	**4,283**			4,344		
Other assets	**39,416**			36,625		
Total assets	**$ 421,808**			$ 390,380		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing deposits	**$ 273,358**	**$ 269**	**0.39 %**	$ 241,115	$ 731	1.21 %
Securitized debt obligations	**12,240**	**32**	**1.05**	18,054	99	2.20
Senior and subordinated notes	**26,968**	**129**	**1.91**	31,342	239	3.04
Other borrowings and liabilities	**2,210**	**9**	**1.62**	3,779	15	1.62
Total interest-bearing liabilities	**314,776**	**439**	**0.56**	294,290	1,084	1.47
Non-interest-bearing deposits	**31,698**			23,538		
Other liabilities	**14,711**			13,984		
Total liabilities	**361,185**			331,812		
Stockholders' equity	**60,623**			58,568		
Total liabilities and stockholders' equity	**$ 421,808**			$ 390,380		
Net interest income/spread		**$ 5,822**	**5.89**		$ 6,025	6.53
Impact of non-interest-bearing funding			**0.10**			0.25
Net interest margin			**5.99 %**			6.78 %

(1) Past due fees included in interest income totaled approximately $310 million and $391 million in the first quarters of 2021 and 2020, respectively.

(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. Taxable-equivalent adjustments included in the interest income and yield computations for our commercial loans totaled approximately $19 million and $20 million for the first quarters of 2021 and 2020, respectively, with corresponding reductions to the Other category.

(3) Interest income/expense in Other 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 decreased by $203 million to $5.8 billion in the first quarter of 2021 compared to the first quarter of 2020 primarily driven by lower average outstanding balances in Domestic Card, as well as higher interest-bearing deposit balances, partially offset by the lower interest rate paid on interest-bearing liabilities.

Net interest margin decreased by 79 basis points to 5.99% in the first quarter of 2021 compared to the first quarter of 2020 primarily driven by a shift in our asset mix and lower interest rates received on interest-earning assets, partially offset by the lower interest rate paid on interest-bearing deposits.

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 March 31, 2021 vs. 2020		
(Dollars in millions)	**Total Variance**	**Volume**	**Rate**
Interest income:			
Loans:			
Credit card	**$ (724)**	**$ (734)**	**$ 10**
Consumer banking	**66**	**114**	**(48)**
Commercial banking[(2)]	**(230)**	**(21)**	**(209)**
Other[(3)]	**200**	**—**	**200**
Total loans, including loans held for sale	**(688)**	**(641)**	**(47)**
Investment securities	**(139)**	**80**	**(219)**
Cash equivalents and other interest-earning assets	**(21)**	**11**	**(32)**
Total interest income	**(848)**	**(550)**	**(298)**
Interest expense:			
Interest-bearing deposits	**(462)**	**32**	**(494)**
Securitized debt obligations	**(67)**	**(24)**	**(43)**
Senior and subordinated notes	**(110)**	**(30)**	**(80)**
Other borrowings and liabilities	**(6)**	**(6)**	**—**
Total interest expense	**(645)**	**(28)**	**(617)**
Net interest income	**$ (203)**	**$ (522)**	**$ 319**

(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 Other 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 first quarters of 2021 and 2020.

Table 4: Non-Interest Income

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**
Interchange fees, net	**$ 817**	$ 752
Service charges and other customer-related fees	**352**	327
Net securities gains	**4**	—
Other non-interest income:[1]		
Mortgage banking revenue	**60**	68
Treasury and other investment loss	**(16)**	(7)
Other	**74**	84
Total other non-interest income	**118**	145
Total non-interest income	**$ 1,291**	$ 1,224

[1] Includes gains of $19 million and losses of $58 million on deferred compensation plan investments in the first quarters of 2021 and 2020, respectively.

Non-interest income increased by $67 million to $1.3 billion in the first quarter of 2021 compared to the first quarter of 2020 primarily driven by higher net interchange fees due to an increase in purchase volume.

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 decreased by $6.2 billion and resulted in a benefit of $823 million in the first quarter of 2021 compared to the first quarter of 2020. This decrease was primarily driven by an allowance release in the first quarter of 2021 due to continued strong credit performance and an improved economic outlook compared to an allowance build in the first quarter of 2020 driven by the expected economic worsening and significant uncertainty at the start of the COVID-19 pandemic.

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 2020 Form 10-K.

Non-Interest Expense

Table 5 displays the components of non-interest expense for the first quarters of 2021 and 2020.

Table 5: Non-Interest Expense

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**
Salaries and associate benefits[1]	**$ 1,847**	$ 1,627
Occupancy and equipment	**472**	517
Marketing	**501**	491
Professional services	**292**	287
Communications and data processing	**302**	302
Amortization of intangibles	**6**	22
Other non-interest expense:		
Bankcard, regulatory and other fee assessments	**52**	75
Collections	**84**	105
Fraud losses	**35**	79
Other	**149**	224
Total other non-interest expense	**320**	483
Total non-interest expense	**$ 3,740**	$ 3,729

(1) Includes expenses of $19 million and benefits of $58 million related to our deferred compensation plan investment in the first quarters of 2021 and 2020, respectively. These amounts have corresponding offsets in other non-interest income.

Non-interest expense remained substantially flat at $3.7 billion in the first quarter of 2021.

Income Taxes

We recorded income tax provision of $869 million (20.7% effective income tax rate) and income tax benefit of $563 million (29.6% effective income tax rate) in the first quarters of 2021 and 2020, 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.

Our effective tax rate of 20.7% in the first quarter of 2021 was computed using the annual effective rate method as compared to the 29.6% effective tax rate in the first quarter of 2020 which was computed utilizing the year-to-date method due to the significant forecast variability caused by the COVID-19 pandemic and the relationship of our increasing tax credit investments in proportion to our pre-tax earnings.

We provide additional information on items affecting our income taxes and effective tax rate in “Note 15—Income Taxes” in our 2020 Form 10-K.

CONSOLIDATED BALANCE SHEETS ANALYSIS

Total assets increased by $3.6 billion to $425.2 billion as of March 31, 2021 from December 31, 2020 primarily driven by an increase in our cash balances from deposit growth driven by increased consumer savings aided by the impact of recently passed government stimulus, partially offset by a decline in loan balances.

Total liabilities increased by $2.6 billion to $364.0 billion as of March 31, 2021 from December 31, 2020 primarily driven by growth in deposits driven by increased consumer savings aided by the impact of recently passed government stimulus, partially offset by the early redemption of our senior unsecured debt and paydowns in our auto securitization program.

Stockholders' equity increased by $984 million to $61.2 billion as of March 31, 2021 from December 31, 2020 primarily due to our net income of $3.3 billion, partially offset by a decline in fair value of our available for sale securities portfolio and the repurchase of shares of our common stock.

The following is a discussion of material changes in the major components of our assets and liabilities during the first quarter of 2021. 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 as well as 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 96% of our total investment securities portfolio as of both March 31, 2021 and December 31, 2020.

The fair value of our available for sale securities portfolio decreased by $1.3 billion to $99.2 billion as of March 31, 2021 from December 31, 2020, primarily driven by the increase in interest rates. See "Note 2—Investment Securities" for more information.

Table 6 presents the amortized cost and fair value for the major security types in our available for sale securities portfolio as of March 31, 2021 and December 31, 2020.

Table 6: Investment Securities

	March 31, 2021		December 31, 2020	
(Dollars in millions)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Investment securities available for sale:				
U.S. Treasury securities	**$ 9,222**	**$ 9,248**	$ 9,302	$ 9,318
RMBS:				
Agency	**73,579**	**74,445**	73,248	75,466
Non-agency	**973**	**1,177**	1,035	1,237
Total RMBS	**74,552**	**75,622**	74,283	76,703
Agency CMBS	**11,015**	**11,274**	11,298	11,735
Other securities[1]	**3,013**	**3,021**	2,686	2,689
Total investment securities available for sale	**$ 97,802**	**$ 99,165**	$ 97,569	$ 100,445

(1) Includes $2.1 billion and $1.8 billion of asset-backed securities as of March 31, 2021 and December 31, 2020, respectively. The remaining amount is primarily comprised of supranational bonds and foreign government bonds.

Loans Held for Investment

Total loans held for investment consists of both unsecuritized loans and loans held in our consolidated trusts. Table 7 summarizes, by portfolio segment, the carrying value of our loans held for investment, the allowance for credit losses and net loan balance as of March 31, 2021 and December 31, 2020.

Table 7: Loans Held for Investment

	March 31, 2021			December 31, 2020		
(Dollars in millions)	Loans	Allowance	Net Loans	Loans	Allowance	Net Loans
Credit Card	**$ 99,127**	**$ 10,072**	**$ 89,055**	$ 106,956	$ 11,191	$ 95,765
Consumer Banking	**70,202**	**2,498**	**67,704**	68,888	2,715	66,173
Commercial Banking	**73,802**	**1,447**	**72,355**	75,780	1,658	74,122
Total	**$ 243,131**	**$ 14,017**	**$ 229,114**	$ 251,624	$ 15,564	$ 236,060

Loans held for investment decreased by $8.5 billion to $243.1 billion as of March 31, 2021 from December 31, 2020 primarily driven by expected seasonal paydowns, higher customer payments and the impact of government stimulus in our domestic credit card loan portfolio.

We provide additional information on the composition of our loan portfolio and credit quality below 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 Federal Home Loan Banks ("FHLB") advances secured by certain portions of our loan and securities portfolios.

Table 8 provides the composition of our primary sources of funding as of March 31, 2021 and December 31, 2020.

Table 8: Funding Sources Composition

	March 31, 2021		December 31, 2020	
(Dollars in millions)	Amount	% of Total	Amount	% of Total
Deposits:				
Consumer Banking	**$ 254,001**	**73 %**	$ 249,815	72 %
Commercial Banking	**41,552**	**12**	39,590	11
Other[(1)]	**14,775**	**4**	16,037	5
Total deposits	**310,328**	**89**	305,442	88
Securitized debt obligations	**12,071**	**3**	12,414	4
Other debt	**26,379**	**8**	28,125	8
Total funding sources	**$ 348,778**	**100 %**	$ 345,981	100 %

(1) Includes brokered deposits of $13.8 billion and $15.0 billion as of March 31, 2021 and December 31, 2020, respectively.

Total deposits increased by $4.9 billion to $310.3 billion as of March 31, 2021 from December 31, 2020 primarily driven by increased consumer savings aided by the impact of recently passed government stimulus, as well as elevated commercial client liquidity.

Securitized debt obligations decreased by $343 million to $12.1 billion as of March 31, 2021 from December 31, 2020 primarily driven by paydowns in our auto securitization program.

Other debt decreased by $1.7 billion to $26.4 billion as of March 31, 2021 from December 31, 2020 primarily driven by early redemption of our senior unsecured debt.

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 2020 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 first quarters of 2021 and 2020 and provide a comparative discussion of these results, as well as changes in our financial condition and credit performance metrics as of March 31, 2021 compared to December 31, 2020. 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 9 summarizes our business segment results, which we report based on revenue (loss) and income (loss) from continuing operations, for the first quarters of 2021 and 2020.

Table 9: Business Segment Results

	Three Months Ended March 31,							
	2021				2020			
	Total Net Revenue (Loss)[1]		Net Income (Loss)[2]		Total Net Revenue[1]		Net Income (Loss)[2]	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Credit Card	**$ 4,401**	**62 %**	**$ 2,105**	**63 %**	$ 4,613	64 %	$ (991)	74 %
Consumer Banking	**2,171**	**30**	**902**	**27**	1,783	24	(52)	4
Commercial Banking[3]	**760**	**11**	**416**	**13**	729	10	(411)	31
Other[3]	**(219)**	**(3)**	**(96)**	**(3)**	124	2	114	(9)
Total	**$ 7,113**	**100 %**	**$ 3,327**	**100 %**	$ 7,249	100 %	$ (1,340)	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 $2.1 billion in the first quarter of 2021, compared to net loss of $991 million in the first quarter of 2020.

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

Table 10: Credit Card Business Results

	Three Months Ended March 31,		
(Dollars in millions, except as noted)	**2021**	**2020**	**Change**
Selected income statement data:			
Net interest income	**$ 3,372**	$ 3,702	(9) %
Non-interest income	**1,029**	911	13
Total net revenue[1]	**4,401**	4,613	(5)
Provision (benefit) for credit losses	**(492)**	3,702	**
Non-interest expense	**2,135**	2,208	(3)
Income (loss) from continuing operations before income taxes	**2,758**	(1,297)	**
Income tax provision (benefit)	**653**	(306)	**
Income (loss) from continuing operations, net of tax	**$ 2,105**	$ (991)	**
Selected performance metrics:			
Average loans held for investment	**$ 100,534**	$ 122,776	(18)
Average yield on loans[2]	**14.49 %**	14.46 %	3 bps
Total net revenue margin[3]	**17.17**	15.03	214
Net charge-offs	**$ 633**	$ 1,436	(56) %
Net charge-off rate	**2.52 %**	4.68 %	(216)bps
Purchase volume	**$ 108,333**	$ 99,920	8 %

(Dollars in millions, except as noted)	**March 31, 2021**	**December 31, 2020**	**Change**
Selected period-end data:			
Loans held for investment	**$ 99,127**	$ 106,956	(7) %
30+ day performing delinquency rate	**2.26 %**	2.44 %	(18)bps
30+ day delinquency rate	**2.27**	2.45	(18)
Nonperforming loan rate[4]	**0.01**	0.02	(1)
Allowance for credit losses	**$ 10,072**	$ 11,191	(10) %
Allowance coverage ratio	**10.16 %**	10.46 %	(30)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 $180 million and $389 million in the first quarters of 2021 and 2020, 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 first quarter of 2021 compared to the first quarter of 2020, and changes in financial condition and credit performance between March 31, 2021 and December 31, 2020 include the following:

- *Net Interest Income:* Net interest income decreased by $330 million to $3.4 billion in the first quarter of 2021 primarily driven by lower average loan balances from higher customer payments and the impact of government stimulus, partially offset by higher margins.

- *Non-Interest Income:* Non-interest income increased by $118 million to $1.0 billion in the first quarter of 2021 primarily driven by higher net interchange fees from an increase in purchase volume and lower amortization expense of deferred bounty payments.

- *Provision for Credit Losses:* Provision for credit losses decreased by $4.2 billion to a benefit of $492 million in the first quarter of 2021 driven by an allowance release in the first quarter of 2021 due to continued strong credit performance and an improved economic outlook compared to an allowance build in the first quarter of 2020 driven by the expected economic worsening and significant uncertainty at the start of the COVID-19 pandemic.

- *Non-Interest Expense:* Non-interest expense remained substantially flat at $2.1 billion in the first quarter of 2021.

- *Loans Held for Investment:*

    - Period-end loans held for investment decreased by $7.8 billion to $99.1 billion as of March 31, 2021 from December 31, 2020 due to expected seasonal paydowns as well as higher customer payments and the impact of government stimulus.

    - Average loans held for investment decreased by $22.2 billion to $100.5 billion in the first quarter of 2021 compared to the first quarter of 2020 driven by higher customer payments and the impact of government stimulus.

- *Net Charge-Off and Delinquency Metrics:* The net charge-off rate decreased by 216 basis points to 2.52% in the first quarter of 2021 compared to the first quarter of 2020 primarily driven by strong credit performance in Domestic Card due to customer payment behavior in response to the COVID-19 pandemic, including the impact of the government stimulus, partially offset by lower average balances.

    The 30+ day delinquency rate decreased by 18 basis points to 2.27% as of March 31, 2021 from December 31, 2020 due to seasonally lower delinquency inventories and strong credit performance in our domestic credit card loan portfolio, partially offset by lower outstanding balances.

Domestic Card Business

The Domestic Card business generated net income from continuing operations of $2.0 billion in the first quarter of 2021, compared to net loss of $935 million in the first quarter of 2020. In the first quarters of 2021 and 2020, the Domestic Card business accounted for greater than 90% of total net revenue of our Credit Card business.

Table 10.1 summarizes the financial results for Domestic Card business and displays selected key metrics for the periods indicated.

Table 10.1: Domestic Card Business Results

	Three Months Ended March 31,		
(Dollars in millions, except as noted)	**2021**	**2020**	**Change**
Selected income statement data:			
Net interest income	**$ 3,095**	$ 3,381	(8) %
Non-interest income	**959**	842	14
Total net revenue[1]	**4,054**	4,223	(4)
Provision (benefit) for credit losses	**(491)**	3,464	**
Non-interest expense	**1,923**	1,984	(3)
Income (loss) from continuing operations before income taxes	**2,622**	(1,225)	**
Income tax provision (benefit)	**619**	(290)	**
Income (loss) from continuing operations, net of tax	**$ 2,003**	$ (935)	**
Selected performance metrics:			
Average loans held for investment	**$ 92,594**	$ 113,711	(19)
Average yield on loans[2]	**14.34 %**	14.30 %	4 bps
Total net revenue margin[3]	**17.15**	14.86	229
Net charge-offs	**$ 587**	$ 1,331	(56) %
Net charge-off rate	**2.54 %**	4.68 %	(214)bps
Purchase volume	**$ 99,960**	$ 92,248	8 %

(Dollars in millions, except as noted)	**March 31, 2021**	**December 31, 2020**	**Change**
Selected period-end data:			
Loans held for investment	**$ 91,099**	$ 98,504	(8) %
30+ day performing delinquency rate	**2.24 %**	2.42 %	(18)bps
Allowance for credit losses	**$ 9,572**	$ 10,650	(10) %
Allowance coverage ratio	**10.51 %**	10.81 %	(30)bps

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(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 increased in the first quarter of 2021 compared to the first quarter of 2020 primarily driven by:

- lower provision for credit losses due to an allowance release in the first quarter of 2021 due to continued strong credit performance and an improved economic outlook compared to an allowance build in the first quarter of 2020 driven by the expected economic worsening and significant uncertainty at the start of the COVID-19 pandemic; and

- higher non-interest income primarily due to higher net interchange fees from an increase in purchase volume and lower amortization expense of deferred bounty payments.

- lower net interest income primarily driven by lower average outstanding balances.

Consumer Banking Business

The primary sources of revenue for our Consumer Banking business are net interest income from loans and deposits as well as service charges and customer-related fees. 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 $902 million in the first quarter of 2021, compared to net loss of $52 million in the first quarter of 2020.

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

Table 11: Consumer Banking Business Results

	Three Months Ended March 31,		
(Dollars in millions, except as noted)	**2021**	**2020**	**Change**
Selected income statement data:			
Net interest income	**$ 2,030**	$ 1,657	23 %
Non-interest income	**141**	126	12
Total net revenue	**2,171**	1,783	22
Provision (benefit) for credit losses	**(126)**	860	**
Non-interest expense	**1,117**	991	13
Income (loss) from continuing operations before income taxes	**1,180**	(68)	**
Income tax provision (benefit)	**278**	(16)	**
Income (loss) from continuing operations, net of tax	**$ 902**	$ (52)	**
Selected performance metrics:			
Average loans held for investment:			
Auto	**$ 66,185**	$ 61,005	8
Retail banking	**3,049**	2,666	14
Total consumer banking	**$ 69,234**	$ 63,671	9
Average yield on loans held for investment[1]	**8.16 %**	8.46 %	(30)bps
Average deposits	**$ 249,499**	$ 215,071	16 %
Average deposits interest rate	**0.36 %**	1.06 %	(70)bps
Net charge-offs	**$ 91**	$ 246	(63) %
Net charge-off rate	**0.52 %**	1.54 %	(102)bps
Auto loan originations	**$ 8,833**	$ 7,640	16 %

(Dollars in millions, except as noted)	March 31, 2021	December 31, 2020	Change
Selected period-end data:			
Loans held for investment:			
Auto	**$ 67,059**	$ 65,762	2 %
Retail banking	**3,143**	3,126	1
Total consumer banking	**$ 70,202**	$ 68,888	2
30+ day performing delinquency rate	**3.03 %**	4.62 %	(159)bps
30+ day delinquency rate	**3.25**	5.00	(175)
Nonperforming loan rate	**0.33**	0.47	(14)
Nonperforming asset rate[(2)]	**0.39**	0.54	(15)
Allowance for credit losses	**$ 2,498**	$ 2,715	(8) %
Allowance coverage ratio	**3.56 %**	3.94 %	(38)bps
Deposits	**$ 254,001**	$ 249,815	2 %

(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 first quarter of 2021 compared to the first quarter of 2020, and changes in financial condition and credit performance between March 31, 2021 and December 31, 2020 include the following:

- *Net Interest Income:* Net interest income increased by $373 million to $2.0 billion in the first quarter of 2021 primarily driven by higher margins and deposits in our Retail Banking business as well as growth in our auto loan portfolio.

- *Non-Interest Income:* Non-interest income remained substantially flat at $141 million in the first quarter of 2021.

- *Provision for Credit Losses:* Provision for credit losses decreased by $986 million to a benefit of $126 million in the first quarter of 2021 driven by an allowance release in the first quarter of 2021 due to strong credit performance, an improved economic outlook and auction price favorability, compared to an allowance build in the first quarter of 2020 driven by the expected economic worsening and significant uncertainty at the start of the COVID-19 pandemic.

- *Non-Interest Expense:* Non-interest expense increased by $126 million to $1.1 billion in the first quarter of 2021 primarily driven by growth in our auto loan portfolio as well as continued investment in infrastructure and technology.

- *Loans Held for Investment:* Period-end loans held for investment increased by $1.3 billion to $70.2 billion as of March 31, 2021 from December 31, 2020, and average loans held for investment increased by $5.6 billion to $69.2 billion in the first quarter of 2021 compared to the first quarter of 2020 primarily due to growth in our auto loan portfolio.

- *Deposits:* Period-end deposits increased by $4.2 billion to $254.0 billion as of March 31, 2021 from December 31, 2020 primarily driven by increased consumer savings aided by the impact of recently passed government stimulus.

- *Net Charge-Off and Delinquency Metrics:* The net charge-off rate decreased by 102 basis points to 0.52% in the first quarter of 2021 compared to the first quarter of 2020 primarily driven by strong credit performance and the impact of government stimulus as well as the impact of elevated auction prices and short-term payment extensions offered to affected auto borrowers in response to the COVID-19 pandemic.

  The 30+ day delinquency rate decreased by 175 basis points to 3.25% as of March 31, 2021 from December 31, 2020 driven by seasonally lower delinquency inventories and strong credit performance 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 $416 million in the first quarter of 2021, compared to net loss of $411 million in the first quarter of 2020.

Table 12 summarizes the financial results of our Commercial Banking business and displays selected key metrics for the periods indicated.

Table 12: Commercial Banking Business Results

	Three Months Ended March 31,		
(Dollars in millions, except as noted)	**2021**	**2020**	**Change**
Selected income statement data:			
Net interest income	**$ 520**	$ 491	6 %
Non-interest income	**240**	238	1
Total net revenue[1]	**760**	729	4
Provision (benefit) for credit losses[2]	**(203)**	856	**
Non-interest expense	**419**	412	2
Income (loss) from continuing operations before income taxes	**544**	(539)	**
Income tax provision (benefit)	**128**	(128)	**
Income (loss) from continuing operations, net of tax	**$ 416**	$ (411)	**
Selected performance metrics:			
Average loans held for investment:			
Commercial and multifamily real estate	**$ 29,856**	$ 31,081	(4)
Commercial and industrial	**44,313**	45,361	(2)
Total commercial banking	**$ 74,169**	$ 76,442	(3)
Average yield on loans held for investment[1][3]	**2.76 %**	3.88 %	(112)bps
Average deposits	**$ 40,107**	$ 32,238	24 %
Average deposits interest rate	**0.18 %**	0.89 %	(71)bps
Net charge-offs	**$ 16**	$ 109	(85) %
Net charge-off rate	**0.09 %**	0.57 %	(48)bps

(Dollars in millions, except as noted)	**March 31, 2021**	**December 31, 2020**	**Change**
Selected period-end data:			
Loans held for investment:			
Commercial and multifamily real estate	**$ 30,008**	$ 30,681	(2) %
Commercial and industrial	**43,794**	45,099	(3)
Total commercial banking	**$ 73,802**	$ 75,780	(3)
Nonperforming loan rate	**0.92 %**	0.86 %	6 bps
Nonperforming asset rate[4]	**0.92**	0.86	6
Allowance for credit losses[2]	**$ 1,447**	$ 1,658	(13) %
Allowance coverage ratio	**1.96 %**	2.19 %	(23)bps
Deposits	**$ 41,552**	$ 39,590	5 %
Loans serviced for others	**45,042**	44,162	2

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(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 $187 million and $195 million as of March 31, 2021 and December 31, 2020, 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 first quarter of 2021 compared to the first quarter of 2020, and changes in financial condition and credit performance between March 31, 2021 and December 31, 2020 include the following:

- *Net Interest Income:* Net interest income increased by $29 million to $520 million in the first quarter of 2021 as higher margins and growth in average deposits were partially offset by lower average loans.

- *Non-Interest Income:* Non-interest income remained substantially flat at $240 million in the first quarter of 2021.

- *Provision for Credit Losses:* Provision for credit losses decreased by $1.1 billion to a benefit of $203 million in the first quarter of 2021 driven by an allowance release in the first quarter of 2021 due to an improved economic outlook, compared to an allowance build in the first quarter of 2020 driven by the expected economic worsening and significant uncertainty at the start of the COVID-19 pandemic and deterioration in our energy loan portfolio.

- *Non-Interest Expense:* Non-interest expense remained substantially flat at $419 million in the first quarter of 2021.

- *Loans Held for Investment:* Period-end loans held for investment decreased by $2.0 billion to $73.8 billion as of March 31, 2021 from December 31, 2020, and average loans held for investment decreased by $2.3 billion to $74.2 billion in the first quarter of 2021 compared to the first quarter of 2020 driven by higher utilization of credit lines in 2020 due to the COVID-19 pandemic.

- *Deposits:* Period-end deposits increased by $2.0 billion to $41.6 billion as of March 31, 2021 from December 31, 2020 primarily driven by elevated client liquidity.

- *Net Charge-Off and Nonperforming Metrics:* The net charge-off rate decreased by 48 basis points to 0.09% in the first quarter of 2021 primarily driven by lower charge-offs in our energy loan portfolio.

  The nonperforming loan rate increased by 6 basis points to 0.92% as of March 31, 2021 from December 31, 2020 driven by isolated credit downgrades in our 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 13 summarizes the financial results of our Other category for the periods indicated.

Table 13: Other Category Results

	Three Months Ended March 31,		
(Dollars in millions)	**2021**	**2020**	**Change**
Selected income statement data:			
Net interest income (loss)	**$ (100)**	$ 175	**
Non-interest loss	**(119)**	(51)	133 %
Total net revenue (loss)[1]	**(219)**	124	**
Provision (benefit) for credit losses	**(2)**	5	**
Non-interest expense	**69**	118	(42)
Income (loss) from continuing operations before income taxes	**(286)**	1	**
Income tax benefit	**(190)**	(113)	68
Income (loss) from continuing operations, net of tax	**$ (96)**	$ 114	**

(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.

Net loss from continuing operations was $96 million in the first quarters of 2021, compared to net income of $114 million in the first quarter of 2020, primarily driven by lower net interest income due to the declines in market interest rates, reduced funding needs of our business segments as compared to increased sources of funds, as well as a loss on our equity investment in Snowflake Inc. that reduced our cumulative gain on this investment to $460 million.

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 2020 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
- Asset impairment
- Fair value of financial instruments
- Customer rewards reserve

We evaluate our critical accounting estimates and judgments on an ongoing basis and update them as necessary, based on changing conditions.

Asset Impairment

In addition to our loan portfolio, we review other assets for impairment on a regular basis in accordance with applicable accounting guidance. This process requires significant management judgment and involves various estimates and assumptions. Below we describe our process for assessing impairment of goodwill and the key estimates and assumptions involved in this process.

Goodwill

We perform our goodwill impairment test annually on October 1 at a reporting unit level. As of our last annual test and as of March 31, 2021, we had four reporting units which included Credit Card, Auto Finance, Other Consumer Banking and Commercial Banking. We are also required to test goodwill for impairment when a triggering event occurs that indicates it is more likely than not that the fair value of a reporting unit is below its carrying amount. We have continued to evaluate the potential impact of the COVID-19 pandemic on our goodwill impairment analysis and have considered recent market events and trends. We determined it was more likely than not that the fair value of our reporting units remained in excess of their carrying values as of March 31, 2021. We will continue to monitor developments regarding the COVID-19 pandemic and measures implemented in response to the COVID-19 pandemic, our market capitalization, overall economic conditions and any other triggering events or circumstances that may cause an impairment of goodwill in the future.

There have been no additional changes to our critical accounting policies and estimates described in our December 31, 2020 Form 10-K under "MD&A—Critical Accounting Policies and Estimates."

ACCOUNTING CHANGES AND DEVELOPMENTS

Accounting Standards Issued but Not Adopted as of March 31, 2021

There were no relevant new accounting standards issued but not adopted as of March 31, 2021. See "Note 1—Summary of Significant Accounting Policies" for information on the accounting standards we adopted in 2021.

CAPITAL MANAGEMENT

The level and composition of our capital are determined by multiple factors, including our consolidated regulatory capital requirements 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 Basel III Capital Rules 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 and liquidity 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. 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.

In October 2019, the Federal Reserve, OCC and Federal Deposit Insurance Corporation (the "FDIC," and collectively, the Federal Banking Agencies") amended the Basel III Capital Rules to provide for tailored application of certain capital requirements across different categories of banking institutions (the "Tailoring Rules"). These categories are determined primarily by an institution's asset size, with adjustments to a more stringent category possible if the institution exceeds certain risk-based thresholds. As a bank holding company ("BHC") with total consolidated assets of at least $250 billion that does not exceed any of the applicable risk-based thresholds, we are a Category III institution under the Tailoring Rules. Therefore, effective January 1, 2020, we are no longer 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 by the Tailoring Rules. We remain subject to the countercyclical capital buffer requirement (which is currently set at 0%) and supplementary leverage ratio requirement, which were previously required only for Basel III Advanced Approaches institutions.

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. The capital conservation buffer for BHCs was previously fixed at 2.5%. In March 2020, the Federal Reserve issued a final rule to implement the stress capital buffer requirement (the "Stress Capital Buffer Rule"). The stress capital buffer requirement is institution-specific and replaces the fixed 2.5% capital conservation buffer for BHCs.

Pursuant to the Stress Capital Buffer Rule, the Federal Reserve will use the results of its supervisory stress test to determine the size of a BHC's stress capital buffer requirement. In particular, a BHC's stress capital buffer requirement will equal, subject to a floor of 2.5%, the sum of (i) the difference between the BHC'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 BHC'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 BHC's projected CET1 capital ratio reaches its minimum under the supervisory stress test.

Under the Stress Capital Buffer Rule framework, the Company's new "standardized approach capital conservation buffer" includes its stress capital buffer requirement (which will be recalibrated every year based on the Company's supervisory stress test results), 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 Banking Agencies set an earlier effective date.

The Company's stress capital buffer requirement is 5.6% for the period from October 1, 2020 through September 30, 2021, at which point a revised stress capital buffer requirement will be applicable to the Company based on the Company's 2021 stress testing results. 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 10.1%, 11.6% and 13.6%, respectively, for the period from October 1, 2020 through September 30, 2021.

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 remain at 7.0%, 8.5% and 10.5% respectively.

If we fail to maintain our capital ratios above the minimum capital requirements plus the applicable buffer requirements, we will face increasingly strict automatic limitations on capital distributions and discretionary bonus payments to certain executive officers.

As of March 31, 2021 and December 31, 2020, respectively, each of the Company and the Banks exceeded the minimum capital requirements and the buffer requirements applicable to them, and each of the Banks was "well capitalized" under PCA 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 portfolios. 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 March 31, 2021, the Company and CONA are subject to the Market Risk Rule. See "MD&A—Market Risk Profile" below for additional information.

CECL Transition Rule

As part of their response to the COVID-19 pandemic, the Federal Banking Agencies adopted a final rule (the "2020 CECL Transition Rule") that provides banking institutions an optional five-year transition period to phase in the impact of the CECL standard on their regulatory capital (the "2020 CECL Transition Election").

Pursuant to the 2020 CECL Transition Rule, a banking institution may 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 use 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 are 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. Beginning January 1, 2022 through December 31, 2024, the after-tax “day 1” CECL adoption impact and the cumulative “day 2” ongoing impact will be 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					

We adopted the CECL standard (for accounting purposes) as of January 1, 2020, and made the 2020 CECL Transition Election (for regulatory capital purposes) in the first quarter of 2020. Therefore, the applicable amounts presented in this Report reflect such election.

Temporary Exclusions for Supplementary Leverage Ratio

In April 2020, as part of the response to the COVID-19 pandemic, the Federal Reserve issued an interim final rule that temporarily excludes U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation of the supplementary leverage ratio for BHCs. These temporary exclusions remained in effect through March 31, 2021 and expired as scheduled thereafter. The Company’s supplementary leverage ratio as of March 31, 2021 reflected these temporary exclusions. Without these temporary exclusions, we would have remained substantially in excess of the 3% regulatory minimum as of March 31, 2021.

In May 2020, the Federal Banking Agencies issued an interim final rule that provides an option for depository institutions to make similar exclusions to the calculation of the supplementary leverage ratio. If a depository institution elects to make such exclusions, it must request prior approval from its primary federal banking regulator before making capital distributions, such as paying dividends to its parent company, for as long as the exclusions are in effect. These temporary exclusions remained in effect for electing institutions through March 31, 2021 and expired as scheduled thereafter. Neither CONA nor COBNA elected to make such exclusions.

For the description of the regulatory capital rules we are subject to, see “MD&A—Supervision and Regulation” in this Report as well as “Part I—Item 1. Business—Supervision and Regulation” in our 2020 Form 10-K.

Table 14 provides a comparison of our regulatory capital ratios under the Basel III Standardized Approach, the regulatory minimum capital adequacy ratios and the PCA well-capitalized level for each ratio, where applicable, as of March 31, 2021 and December 31, 2020.

Table 14: Capital Ratios Under Basel III[(1)(2)]

	March 31, 2021			December 31, 2020		
	Ratio	**Minimum Capital Adequacy**	**Well-Capitalized**	**Ratio**	**Minimum Capital Adequacy**	**Well-Capitalized**
Capital One Financial Corp:						
Common equity Tier 1 capital[(3)]	**14.6 %**	**4.5 %**	**N/A**	13.7 %	4.5 %	N/A
Tier 1 capital[(4)]	**16.2**	**6.0**	**6.0 %**	15.3	6.0	6.0 %
Total capital[(5)]	**18.6**	**8.0**	**10.0**	17.7	8.0	10.0
Tier 1 leverage[(6)]	**11.7**	**4.0**	**N/A**	11.2	4.0	N/A
Supplementary leverage[(7)(8)]	**11.3**	**3.0**	**N/A**	10.7	3.0	N/A
COBNA:						
Common equity Tier 1 capital[(3)]	**23.9**	**4.5**	**6.5**	21.5	4.5	6.5
Tier 1 capital[(4)]	**23.9**	**6.0**	**8.0**	21.5	6.0	8.0
Total capital[(5)]	**25.6**	**8.0**	**10.0**	23.4	8.0	10.0
Tier 1 leverage[(6)]	**19.8**	**4.0**	**5.0**	18.3	4.0	5.0
Supplementary leverage[(7)]	**15.9**	**3.0**	**N/A**	14.7	3.0	N/A
CONA:						
Common equity Tier 1 capital[(3)]	**13.1**	**4.5**	**6.5**	12.4	4.5	6.5
Tier 1 capital[(4)]	**13.1**	**6.0**	**8.0**	12.4	6.0	8.0
Total capital[(5)]	**14.3**	**8.0**	**10.0**	13.7	8.0	10.0
Tier 1 leverage[(6)]	**8.0**	**4.0**	**5.0**	7.6	4.0	5.0
Supplementary leverage[(7)]	**7.2**	**3.0**	**N/A**	6.9	3.0	N/A

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

(2) Ratios as of March 31, 2021 are preliminary. As we continue to validate our data, the calculations are subject to change until we file our March 31, 2021 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.

(8) Supplementary leverage ratio for the Company as of March 31, 2021 and December 31, 2020 excludes U.S. Treasury securities and deposits with the Federal Reserve Banks pursuant to an interim final rule issued by the Federal Reserve, see “MD&A—Supervision and Regulation” for more information.

Table 15 presents regulatory capital under the Basel III Standardized Approach and regulatory capital metrics as of March 31, 2021 and December 31, 2020.

Table 15: Regulatory Risk-Based Capital Components and Regulatory Capital Metrics

(Dollars in millions)	March 31, 2021	December 31, 2020
Regulatory Capital Under Basel III Standardized Approach		
Common equity excluding AOCI	**$ 57,607**	$ 55,299
Adjustments:		
AOCI, net of tax[1]	**(13)**	(29)
Goodwill, net of related deferred tax liabilities	**(14,444)**	(14,448)
Intangible assets, net of related deferred tax liabilities	**(81)**	(86)
Other[2]	**(18)**	—
Common equity Tier 1 capital	**43,051**	40,736
Tier 1 capital instruments	**4,847**	4,847
Tier 1 capital	**47,898**	45,583
Tier 2 capital instruments	**3,110**	3,385
Qualifying allowance for credit losses	**3,772**	3,820
Tier 2 capital	**6,882**	7,205
Total capital	**$ 54,780**	$ 52,788
Regulatory Capital Metrics		
Risk-weighted assets	**$ 295,209**	$ 297,903
Adjusted average assets	**408,596**	406,762
Total leverage exposure	**424,389**	427,522

(1) Excludes certain components of AOCI as permitted under the Tailoring Rules.

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

Capital Planning and Regulatory Stress Testing

In March 2021, the Federal Reserve extended the temporary capital distribution restrictions in place during the first quarter of 2021 for all BHCs participating in the Comprehensive Capital Analysis and Review ("CCAR") through the second quarter of 2021. In particular, for the first and second quarters of 2021, the aggregate amount of common stock dividend payments and share repurchases for each quarter shall not exceed an amount equal to the average net income earned across the four preceding calendar quarters. In addition, common stock dividend payments for each of the first and second quarters of 2021 continue to be capped at the amount paid in the second quarter of 2020.

If a participating BHC remains above all of its minimum risk-based capital requirements in its 2021 supervisory stress test, these temporary capital distribution restrictions will no longer apply to such BHC after the second quarter of 2021, and the normal restrictions under the stress capital buffer framework will apply instead. For any participating BHC that falls below any of its minimum risk-based capital requirements in its 2021 supervisory stress test, these temporary capital distribution restrictions will continue to apply for such BHC through the end of the third quarter of 2021.

On April 2, 2021, we submitted our capital plan to the Federal Reserve as part of the 2021 CCAR cycle. The stress testing results are expected to be released by the Federal Reserve by July 1, 2021. Our 2021 supervisory stress test result will determine the size of our stress capital buffer requirement for the period beginning from October 1, 2021 through September 30, 2022.

On January 25, 2021, our Board of Directors authorized the repurchase of up to $7.5 billion of shares of our common stock and we repurchased approximately $490 million of shares of our common stock during the first quarter of 2021. Based on our average net income across the four preceding calendar quarters, our share repurchase capacity in the second quarter of 2021 is expected to be approximately $1.7 billion.

For the description of the regulatory capital planning rules we are subject to, see "MD&A—Supervision and Regulation" in this Report as well as "Part I—Item 1. Business—Supervision and Regulation" in our 2020 Form 10-K.

Equity Offerings and Transactions

On May 4, 2021, we issued 27,000,000 depositary shares, each representing a 1/40th interest in a share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series L, $0.01 par value, with a liquidation preference of $25 per depositary share ("Series L Preferred Stock"). The net proceeds of the offering of Series L Preferred Stock were approximately $652.9 million after deducting underwriting commissions and offering expenses. Dividends on the Series L Preferred Stock are payable quarterly in arrears at a rate of 4.375% per annum.

Dividend Policy and Stock Purchases

In the first three months of 2021, we declared and paid common stock dividends of $185 million, or $0.40 per share, and preferred stock dividends of $61 million. The following table summarizes the dividends paid per share on our various preferred stock series in the first quarter of 2021.

Table 16: Preferred Stock Dividends Paid Per Share

					2021
Series	**Description**	**Issuance Date**	**Per Annum Dividend Rate**	**Dividend Frequency**	**Q1**
Series E	Fixed-to-Floating Rate Non-Cumulative	May 14, 2015	5.550% through 5/31/2020; 3-mo. LIBOR + 380 bps thereafter	Semi-Annually through 5/31/2020; Quarterly thereafter	**$10.06**
Series G	5.200% Non-Cumulative	July 29, 2016	5.200	Quarterly	**13.00**
Series H	6.000% Non-Cumulative	November 29, 2016	6.000	Quarterly	**15.00**
Series I	5.000% Non-Cumulative	September 11, 2019	5.000	Quarterly	**12.50**
Series J	4.800% Non-Cumulative	January 31, 2020	4.800	Quarterly	**12.00**
Series K	4.625% Non-Cumulative	September 17, 2020	4.625	Quarterly	**11.56**

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 March 31, 2021, funds available for dividend payments from COBNA and CONA were $4.5 billion and $1.3 billion, respectively. There can be no assurance that we will declare and pay any dividends to stockholders.

On January 25, 2021, our Board of Directors authorized the repurchase of up to $7.5 billion of shares of our common stock and we repurchased approximately $490 million of shares of our common stock during the first quarter of 2021. 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 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 2020 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:

Governance and Accountability			
Strategy and Risk Alignment			
Risk Identification	**Assessment, Measurement and Response**	**Monitoring and Testing**	**Aggregation, Reporting and Escalation**
Capital and Liquidity Management (including Stress Testing)			
Risk Data and Enabling Technology			
Culture and Talent Management			

We provide additional discussion of our risk management principles, roles and responsibilities, framework and risk appetite under "MD&A—Risk Management" in our 2020 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 2020 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 Composition and Maturity Profile of Loans Held for Investment

We provide a variety of lending products. Our primary 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 2020 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 $2.9 billion and $2.7 billion as of March 31, 2021 and December 31, 2020, respectively.

Table 17 presents the composition of our portfolio of loans held for investment by portfolio segment as of March 31, 2021 and December 31, 2020.

Table 17: Portfolio Composition of Loans Held for Investment

	March 31, 2021		December 31, 2020	
(Dollars in millions)	Loans	% of Total	Loans	% of Total
Credit Card:				
Domestic credit card	**$ 91,099**	**37.5 %**	$ 98,504	39.1 %
International card businesses	**8,028**	**3.3**	8,452	3.4
Total credit card	**99,127**	**40.8**	106,956	42.5
Consumer Banking:				
Auto	**67,059**	**27.6**	65,762	26.2
Retail banking[(1)]	**3,143**	**1.3**	3,126	1.2
Total consumer banking	**70,202**	**28.9**	68,888	27.4
Commercial Banking:[(1)]				
Commercial and multifamily real estate	**30,008**	**12.3**	30,681	12.2
Commercial and industrial	**43,794**	**18.0**	45,099	17.9
Total commercial banking	**73,802**	**30.3**	75,780	30.1
Total loans held for investment	**$ 243,131**	**100.0 %**	$ 251,624	100.0 %

(1) Includes PPP loans of $1.1 billion and $275 million in our retail and commercial loan portfolios, respectively, as of March 31, 2021, and $919 million and $238 million as of December 31, 2020, respectively. See "MD&A—Credit Risk Profile—COVID-19 Customer Assistance Programs and Loan Modifications" for more information.

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 March 31, 2021 and December 31, 2020.

Table 18: Credit Card Portfolio by Geographic Region

	March 31, 2021		December 31, 2020	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Domestic credit card:				
California	**$ 9,256**	**9.3 %**	$ 9,943	9.3 %
Texas	**7,564**	**7.6**	8,090	7.6
Florida	**6,440**	**6.5**	6,910	6.5
New York	**5,824**	**5.9**	6,327	5.9
Pennsylvania	**3,810**	**3.8**	4,158	3.9
Illinois	**3,806**	**3.8**	4,149	3.9
Ohio	**3,303**	**3.3**	3,645	3.4
New Jersey	**2,930**	**3.0**	3,179	3.0
Georgia	**2,834**	**2.9**	3,046	2.8
Michigan	**2,777**	**2.8**	3,010	2.8
Other	**42,555**	**43.0**	46,047	43.0
Total domestic credit card	**91,099**	**91.9**	98,504	92.1
International card businesses:				
Canada	**5,434**	**5.5**	5,728	5.4
United Kingdom	**2,594**	**2.6**	2,724	2.5
Total international card businesses	**8,028**	**8.1**	8,452	7.9
Total credit card	**$ 99,127**	**100.0 %**	$ 106,956	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 network. The table below presents the geographic profile of our auto loan and retail banking portfolios as of March 31, 2021 and December 31, 2020.

Table 19: Consumer Banking Portfolio by Geographic Region

	March 31, 2021		December 31, 2020	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Auto:				
Texas	**$ 8,310**	**11.8 %**	$ 8,207	11.9 %
California	**7,775**	**11.1**	7,573	11.0
Florida	**5,699**	**8.1**	5,544	8.1
Georgia	**3,021**	**4.3**	2,989	4.3
Ohio	**2,805**	**4.0**	2,770	4.0
Pennsylvania	**2,641**	**3.8**	2,569	3.7
Illinois	**2,481**	**3.5**	2,431	3.5
North Carolina	**2,324**	**3.3**	2,280	3.3
Other	**32,003**	**45.6**	31,399	45.7
Total auto	**67,059**	**95.5**	65,762	95.5
Retail banking:				
New York	**1,130**	**1.6**	1,081	1.6
Louisiana	**606**	**0.9**	634	0.9
Texas	**565**	**0.8**	576	0.8
Maryland	**231**	**0.3**	224	0.3
New Jersey	**218**	**0.3**	222	0.3
Virginia	**175**	**0.3**	179	0.3
Other	**218**	**0.3**	210	0.3
Total retail banking	**3,143**	**4.5**	3,126	4.5
Total consumer banking	**$ 70,202**	**100.0 %**	$ 68,888	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 of March 31, 2021 and December 31, 2020.

Table 20: Commercial Real Estate Portfolio by Region

	March 31, 2021		December 31, 2020	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Geographic concentration:[(1)]				
Northeast	**$ 16,647**	**55.47 %**	$ 17,290	56.35 %
South	**4,016**	**13.38**	3,806	12.40
Pacific West	**3,378**	**11.26**	3,424	11.16
Mid-Atlantic	**3,126**	**10.42**	3,344	10.90
Midwest	**1,972**	**6.57**	1,993	6.50
Mountain	**869**	**2.90**	824	2.69
Total	**$ 30,008**	**100.00 %**	$ 30,681	100.00 %

(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 21 summarizes our commercial loans held for investment portfolio by industry classification as of March 31, 2021 and December 31, 2020. Industry classifications below are based on our interpretation of the North American Industry Classification System codes as they pertain to each individual loan.

Table 21: Commercial Loans by Industry

(Percentage of portfolio)	**March 31, 2021**	**December 31, 2020**
Industry Classification:		
Real estate	**39 %**	39 %
Finance	**18**	17
Healthcare	**10**	11
Business services	**6**	6
Educational services	**5**	5
Public administration	**4**	4
Oil and gas	**3**	3
Retail trade	**3**	3
Construction and land	**3**	3
Other	**9**	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 22 provides details on the credit scores of our domestic credit card and auto loan portfolios as of March 31, 2021 and December 31, 2020.

Table 22: Credit Score Distribution

(Percentage of portfolio)	**March 31, 2021**	**December 31, 2020**
Domestic credit card—Refreshed FICO scores:(1)		
Greater than 660	**70 %**	69 %
660 or below	**30**	31
Total	**100 %**	100 %
Auto—At origination FICO scores:(2)		
Greater than 660	**47 %**	46 %
621 - 660	**20**	20
620 or below	**33**	34
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 2020 Form 10-K for information on our accounting policies for delinquent and nonperforming loans, charge-offs and troubled debt restructurings (“TDRs”) 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 loans 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 2020 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." Amounts include the impacts of COVID-19 customer assistance programs where applicable. See "MD&A—Credit Risk Profile—COVID-19 Customer Assistance Programs and Loan Modifications" for more information.

Table 23 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 March 31, 2021 and December 31, 2020.

Table 23: 30+ Day Delinquencies

	March 31, 2021				December 31, 2020			
	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	**$ 2,040**	**2.24 %**	**$ 2,040**	**2.24 %**	$ 2,388	2.42 %	$ 2,388	2.42 %
International card businesses	**201**	**2.51**	**209**	**2.61**	221	2.61	234	2.77
Total credit card	**2,241**	**2.26**	**2,249**	**2.27**	2,609	2.44	2,622	2.45
Consumer Banking:								
Auto	**2,093**	**3.12**	**2,231**	**3.33**	3,140	4.78	3,381	5.14
Retail banking	**32**	**1.02**	**52**	**1.66**	41	1.32	62	1.99
Total consumer banking	**2,125**	**3.03**	**2,283**	**3.25**	3,181	4.62	3,443	5.00
Commercial Banking:								
Commercial and multifamily real estate	**16**	**0.05**	**154**	**0.51**	202	0.66	341	1.11
Commercial and industrial	**41**	**0.09**	**124**	**0.28**	84	0.19	158	0.35
Total commercial banking	**57**	**0.08**	**278**	**0.38**	286	0.38	499	0.66
Total	**$ 4,423**	**1.82**	**$ 4,810**	**1.98**	$ 6,076	2.41	$ 6,564	2.61

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

Table 24 presents our 30+ day delinquent loans, by aging and geography, as of March 31, 2021 and December 31, 2020.

Table 24: Aging and Geography of 30+ Day Delinquent Loans

	March 31, 2021		December 31, 2020	
(Dollars in millions)	Amount	Rate[(1)]	Amount	Rate[(1)]
Delinquency status:				
30 – 59 days	**$ 2,272**	**0.94 %**	$ 3,330	1.32 %
60 – 89 days	**999**	**0.41**	1,485	0.59
≥ 90 days	**1,539**	**0.63**	1,749	0.70
Total	**$ 4,810**	**1.98 %**	$ 6,564	2.61 %
Geographic region:				
Domestic	**$ 4,601**	**1.89 %**	$ 6,330	2.52 %
International	**209**	**0.09**	234	0.09
Total	**$ 4,810**	**1.98 %**	$ 6,564	2.61 %

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

Table 25 summarizes loans that were 90+ days delinquent as to interest or principal, and still accruing interest as of March 31, 2021 and December 31, 2020. 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, 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 25: 90+ Day Delinquent Loans Accruing Interest

	March 31, 2021		December 31, 2020	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]
Loan category:				
Credit card	**$ 1,207**	**1.22 %**	$ 1,251	1.17 %
Commercial banking	**—**	**—**	51	0.07
Total	**$ 1,207**	**0.50**	$ 1,302	0.52
Geographic region:				
Domestic	**$ 1,120**	**0.48 %**	$ 1,220	0.50 %
International	**87**	**1.09**	82	0.97
Total	**$ 1,207**	**0.50**	$ 1,302	0.52

(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 assets consist of nonperforming loans, repossessed assets and other foreclosed assets. Nonperforming loans include loans that have been placed on nonaccrual status. See "Note 1—Summary of Significant Accounting Policies" in our 2020 Form 10-K for information on our policies for classifying loans as nonperforming for each of our loan categories.

Table 26 presents our nonperforming loans, by portfolio segment, and other nonperforming assets as of March 31, 2021 and December 31, 2020. 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 26: Nonperforming Loans and Other Nonperforming Assets[1]

	March 31, 2021		December 31, 2020	
(Dollars in millions)	Amount	Rate	Amount	Rate
Nonperforming loans held for investment:[2]				
Credit Card:				
International card businesses	**$ 14**	**0.17 %**	$ 21	0.24 %
Total credit card	**14**	**0.01**	21	0.02
Consumer Banking:				
Auto	**192**	**0.29**	294	0.45
Retail banking	**36**	**1.16**	30	0.96
Total consumer banking	**228**	**0.33**	324	0.47
Commercial Banking:				
Commercial and multifamily real estate	**234**	**0.78**	200	0.65
Commercial and industrial	**448**	**1.02**	450	1.00
Total commercial banking	**682**	**0.92**	650	0.86
Total nonperforming loans held for investment[3]	**$ 924**	**0.38**	$ 995	0.40
Other nonperforming assets[4]	**44**	**0.02**	45	0.01
Total nonperforming assets	**$ 968**	**0.40**	$ 1,040	0.41

(1) We recognized interest income for loans classified as nonperforming of $1 million and $2 million in the first quarters of 2021 and 2020, respectively. Interest income foregone related to nonperforming loans was $16 million and $24 million in the first quarters of 2021 and 2020, 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 March 31, 2021 and December 31, 2020, 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 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 2020 Form 10-K for information on our charge-off policy for each of our loan categories.

Table 27 presents our net charge-off amounts and rates, by portfolio segment, in the first quarters of 2021 and 2020.

Table 27: Net Charge-Offs

	Three Months Ended March 31,			
	2021		2020	
(Dollars in millions)	Amount	Rate[1]	Amount	Rate[1]
Credit Card:				
Domestic credit card	**$ 587**	**2.54 %**	$ 1,331	4.68 %
International card businesses	**46**	**2.30**	105	4.65
Total credit card	**633**	**2.52**	1,436	4.68
Consumer Banking:				
Auto	**78**	**0.47**	230	1.51
Retail banking	**13**	**1.68**	16	2.37
Total consumer banking	**91**	**0.52**	246	1.54
Commercial Banking:				
Commercial and multifamily real estate	**4**	**0.06**	—	—
Commercial and industrial	**12**	**0.11**	109	0.96
Total commercial banking	**16**	**0.09**	109	0.57
Total net charge-offs	**$ 740**	**1.21**	$ 1,791	2.72
Average loans held for investment	**$ 243,937**		$ 262,889	

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

COVID-19 Customer Assistance Programs and Loan Modifications

As part of our response to the COVID-19 pandemic, we began offering programs to accommodate customer hardship across our lines of business in March 2020, with the largest program offerings to our auto and domestic credit card customers.

Within our Auto business, our primary offering is a 1-2 month payment extension, with an option to renew (subject to a cap). The contractual term of the loan is extended by the length of the payment extension and the delinquency status is updated to reflect the revised terms of the loan.

Within our Domestic Card business, our primary offering is a one-month payment deferral, with the option to renew (subject to a cap). Delinquency status is generally frozen at the time of enrollment and then resumes upon exiting the program.

Guidance issued by the Federal Banking Agencies and contained in the CARES Act provides banking organizations with TDR relief for loan modifications to current borrowers impacted by the COVID-19 pandemic. The majority of enrollments in our COVID-19 programs through March 31, 2021 would generally not have resulted in TDR classification under our existing policies as the concession granted was insignificant.

We consider the impact of all loan modifications, including those offered via our COVID-19 programs, when estimating the credit quality of our loan portfolio and establishing allowance levels.

Table 28 presents cumulative and active enrollment information for our Auto and Domestic Card customer accommodation programs.

Table 28: COVID-19 Customer Assistance Program Enrollments in Auto and Domestic Credit Card

	March 31, 2021				December 31, 2020	September 30, 2020	June 30, 2020
	Cumulative Enrollments		Active Enrollments[1]		Active Enrollments[1]		
(Dollars in millions)	Amount	% Current[2]	Amount	% of Loan Class	Amount	Amount	Amount
Auto	**$ 12,640**	**85 %**	**$ 144**	**0.2 %**	$ 437	$ 686	$ 893
Domestic credit card[3]	**3,892**	**82**	**54**	**<0.1**	135	247	360
Total	**$ 16,532**		**$ 198**		$ 572	$ 933	$ 1,253

(1) Defined as customers who have been approved to skip their upcoming payment and have not made that payment.

(2) Current is defined as less than 30 days past due.

(3) Does not include certain retail partnership portfolios.

Temporary Payment Reduction Programs

In addition to the above programs, we also offer temporary payment reduction programs to our auto and domestic credit card customers ranging from 6-9 months. As of March 31, 2021, less than 0.1% of accounts were enrolled in these programs.

Troubled Debt Restructurings

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

Table 29 presents our amortized cost of loans modified in TDRs as of March 31, 2021 and December 31, 2020, which excludes loan modifications that do not meet the definition of a TDR and loans that received relief under the guidance issued by the Federal Banking Agencies and contained in the CARES Act in response to the COVID-19 pandemic.

Table 29: Troubled Debt Restructurings

	March 31, 2021		December 31, 2020	
(Dollars in millions)	Amount	% of Total Modifications	Amount	% of Total Modifications
Credit Card:				
Domestic credit card	**$ 480**	**24.0 %**	$ 511	24.5 %
International card businesses	**215**	**10.7**	217	10.4
Total credit card	**695**	**34.7**	728	34.9
Consumer banking:				
Auto	**636**	**31.8**	615	29.5
Retail banking	**17**	**0.8**	18	0.9
Total consumer banking	**653**	**32.6**	633	30.4
Commercial banking	**653**	**32.7**	723	34.7
Total	**$ 2,001**	**100.0 %**	$ 2,084	100.0 %
Status of TDRs:				
Performing	**$ 1,639**	**81.9 %**	$ 1,718	82.4 %
Nonperforming	**362**	**18.1**	366	17.6
Total	**$ 2,001**	**100.0 %**	$ 2,084	100.0 %

In our Credit Card business, the majority of our credit card loans modified in 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 in effect 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 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 in TDRs receive an extension, an interest rate reduction or principal reduction, or a combination of these concessions. 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 in 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.

We provide additional information on modified loans accounted for as TDRs, including the performance of those loans subsequent to modification, in "Note 3—Loans."

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 2020 Form 10-K.

Table 30 presents changes in our allowance for credit losses and reserve for unfunded lending commitments for the first quarters of 2021 and 2020, and details by portfolio segment for the provision for credit losses, charge-offs and recoveries.

Table 30: Allowance for Credit Losses and Reserve for Unfunded Lending Commitments Activity

	Three Months Ended March 31, 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	**(904)**	**(89)**	**(993)**	**(324)**	**(18)**	**(342)**	**(19)**	**(1,354)**
Recoveries[1]	**317**	**43**	**360**	**246**	**5**	**251**	**3**	**614**
Net charge-offs	**(587)**	**(46)**	**(633)**	**(78)**	**(13)**	**(91)**	**(16)**	**(740)**
Provision (benefit) for credit losses	**(491)**	**(1)**	**(492)**	**(132)**	**6**	**(126)**	**(195)**	**(813)**
Allowance build (release) for credit losses	**(1,078)**	**(47)**	**(1,125)**	**(210)**	**(7)**	**(217)**	**(211)**	**(1,553)**
Other changes[2]	**—**	**6**	**6**	**—**	**—**	**—**	**—**	**6**
Balance as of March 31, 2021	**9,572**	**500**	**10,072**	**2,405**	**93**	**2,498**	**1,447**	**14,017**
Reserve for unfunded lending commitments:								
Balance as of December 31, 2020	—	—	—	—	—	—	195	195
Provision (benefit) for losses on unfunded lending commitments	**—**	**—**	**—**	**—**	**—**	**—**	**(8)**	**(8)**
Balance as of March 31, 2021	**—**	**—**	**—**	**—**	**—**	**—**	**187**	**187**
Combined allowance and reserve as of March 31, 2021	**$ 9,572**	**$ 500**	**$ 10,072**	**$ 2,405**	**$ 93**	**$ 2,498**	**$ 1,634**	**$ 14,204**

(Dollars in millions)	Credit Card: Domestic Card	Credit Card: International Card Businesses	Credit Card: Total Credit Card	Consumer Banking: Auto	Consumer Banking: Retail Banking	Consumer Banking: Total Consumer Banking	Commercial Banking	Total
	Three Months Ended March 31, 2020							
Allowance for credit losses:								
Balance as of December 31, 2019	$ 4,997	$ 398	$ 5,395	$ 984	$ 54	$ 1,038	$ 775	$ 7,208
Cumulative effects from adoption of the CECL standard	2,237	4	2,241	477	25	502	102	2,845
Finance charge and fee reserve reclassification[3]	439	23	462	—	—	—	—	462
Balance as of January 1, 2020	7,673	425	8,098	1,461	79	1,540	877	10,515
Charge-offs	(1,715)	(134)	(1,849)	(476)	(20)	(496)	(112)	(2,457)
Recoveries[1]	384	29	413	246	4	250	3	666
Net charge-offs	(1,331)	(105)	(1,436)	(230)	(16)	(246)	(109)	(1,791)
Provision (benefit) for credit losses	3,464	238	3,702	827	33	860	805	5,367
Allowance build (release) for credit losses	2,133	133	2,266	597	17	614	696	3,576
Other changes[2]	—	(18)	(18)	—	—	—	—	(18)
Balance as of March 31, 2020	9,806	540	10,346	2,058	96	2,154	1,573	14,073
Reserve for unfunded lending commitments:								
Balance as of December 31, 2019	—	—	—	—	5	5	130	135
Cumulative effects from adoption of the CECL standard	—	—	—	—	(5)	(5)	42	37
Balance as of January 1, 2020	—	—	—	—	—	—	172	172
Provision (benefit) for losses on unfunded lending commitments	—	—	—	—	—	—	51	51
Balance as of March 31, 2020	—	—	—	—	—	—	223	223
Combined allowance and reserve as of March 31, 2020	$ 9,806	$ 540	$ 10,346	$ 2,058	$ 96	$ 2,154	$ 1,796	$ 14,296

(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.

(3) Concurrent with our adoption of the CECL standard in the first quarter of 2020, we reclassified our finance charge and fee reserve to our allowance for credit losses, with a corresponding increase to credit card loans held for investment.

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 31 presents the allowance coverage ratios as of March 31, 2021 and December 31, 2020.

Table 31: Allowance Coverage Ratios for Specified Loan Category

(Dollars in millions)	March 31, 2021: Allowance for Credit Losses	March 31, 2021: Amount[1]	March 31, 2021: Allowance Coverage Ratio	December 31, 2020: Allowance for Credit Losses	December 31, 2020: Amount[1]	December 31, 2020: Allowance Coverage Ratio
Credit Card	**$ 10,072**	**$ 2,249**	**447.79 %**	$ 11,191	$ 2,622	426.80 %
Consumer Banking	**2,498**	**2,283**	**109.42**	2,715	3,443	78.85
Commercial Banking	**1,447**	**682**	**212.08**	1,658	650	254.97
Total	**$ 14,017**	**243,131**	**5.77**	$ 15,564	251,624	6.19

(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 decreased by $1.5 billion to $14.0 billion, and our allowance coverage ratio decreased by 42 basis points to 5.77% as of March 31, 2021 from December 31, 2020, driven by strong credit performance and an improved economic outlook.

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 32 below presents the composition of our liquidity reserves as of March 31, 2021 and December 31, 2020.

Table 32: Liquidity Reserves

(Dollars in millions)	March 31, 2021	December 31, 2020
Cash and cash equivalents	**$ 50,495**	$ 40,509
Investment securities available for sale, at fair value	**99,165**	100,445
FHLB borrowing capacity secured by loans	**9,303**	10,162
Outstanding FHLB advances and letters of credit secured by loans	**(58)**	(72)
Investment securities encumbered for Public Funds and others	**(7,722)**	(7,052)
Total liquidity reserves	**$ 151,183**	$ 143,992

Our liquidity reserves increased by $7.2 billion to $151.2 billion as of March 31, 2021 from December 31, 2020 primarily driven by increases in our cash balances from deposit growth. See “MD&A—Risk Management” in our 2020 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 first quarter of 2021 was 139%, 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 2020 Form 10-K for additional information.

Borrowing Capacity

We maintain a shelf registration with the 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. In addition, we also maintain a shelf registration that allows us to periodically offer and sell up to $25 billion of securitized debt obligations from our credit card loan securitization trust and a shelf registration that allows us to periodically offer and sell up to $20 billion from our auto loan securitization trusts.

In addition to our issuance capacity under the shelf registration statements, we also have access to FHLB advances and the Federal Reserve Discount Window. 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 March 31, 2021, we pledged both loans and securities to the FHLB to secure a maximum borrowing capacity of $18.4 billion, of which $58 million was used. Our FHLB membership is supported by our investment in FHLB stock of $32 million and $30 million as of March 31, 2021 and December 31, 2020, respectively, which was determined in part based on our outstanding advances. As of March 31, 2021, we pledged loans to secure a borrowing capacity of $22.9 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 March 31, 2021 and December 31, 2020.

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.

Deposits

Table 33 provides a comparison of average balances, interest expense and average deposit interest rates for the three months ended March 31, 2021 and 2020.

Table 33: Deposits Composition and Average Deposit Interest Rates

	Three Months Ended March 31,					
	2021			2020		
(Dollars in millions)	Average Balance	Interest Expense	Average Deposit Interest Rate	Average Balance	Interest Expense	Average Deposit Interest Rate
Interest-bearing checking accounts[1]	**$ 42,115**	**$ 19**	**0.18 %**	$ 34,363	$ 53	0.62 %
Saving deposits[2]	**201,674**	**160**	**0.32**	162,062	426	1.06
Time deposits less than $100,000	**19,848**	**61**	**1.26**	27,208	157	2.33
Total interest-bearing core deposits	**263,637**	**240**	**0.37**	223,633	636	1.14
Time deposits of $100,000 or more	**9,721**	**29**	**1.22**	17,482	95	2.20
Total interest-bearing deposits	**$ 273,358**	**$ 269**	**0.39**	$ 241,115	$ 731	1.21

(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. COBNA and CONA were well-capitalized, as defined under the federal banking regulatory guidelines, as of March 31, 2021 and December 31, 2020, respectively. See "Part I—Item 1. Business—Supervision and Regulation" in our 2020 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."

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 may utilize short-term and long-term FHLB advances secured by certain of our investment securities, multifamily real estate loans and commercial real estate loans.

Our short-term borrowings include those borrowings with an original contractual maturity of one year or less and do not include the current portion of long-term debt. The short-term borrowings, which consist of federal funds purchased, securities loaned or sold under agreements to repurchase, increased by $174 million to $842 million as of March 31, 2021 from December 31, 2020 driven by an increase in repurchase agreements.

Our long-term debt, which primarily consists of securitized debt obligations and senior and subordinated notes, decreased by $2.3 billion to $37.6 billion as of March 31, 2021 from December 31, 2020 primarily driven by the repurchase of a portion of our senior unsecured debt and paydowns in our auto securitization program. 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 three months ended March 31, 2021 and 2020. We did not have any such issuances for the three months ended March 31, 2021.

Table 34: Long-Term Funding

	Issuances		Maturities/Redemptions	
	Three Months Ended March 31,		Three Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**	**2021**	**2020**
Securitized debt obligations	**$ —**	$ 1,250	**$ 271**	$ 2,210
Senior and subordinated notes	**—**	2,000	**1,500**	1,500
Total	**$ —**	$ 3,250	**$ 1,771**	$ 3,710

Credit Ratings

Our credit ratings impact our ability to access capital markets and our borrowing costs. Rating agencies base their ratings 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 35 provides a summary of the credit ratings for the senior unsecured long-term debt of Capital One Financial Corporation, COBNA and CONA as of March 31, 2021 and December 31, 2020.

Table 35: Senior Unsecured Long-Term Debt Credit Ratings

	March 31, 2021			December 31, 2020		
	Capital One Financial Corporation	COBNA	CONA	Capital One Financial Corporation	COBNA	CONA
Moody's	**Baa1**	**Baa1**	**Baa1**	Baa1	Baa1	Baa1
S&P	**BBB**	**BBB+**	**BBB+**	BBB	BBB+	BBB+
Fitch	**A-**	**A-**	**A-**	A-	A-	A-

As of April 26, 2021, Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have our credit ratings on a negative outlook while Standard & Poor's ("S&P") has our credit ratings on a stable outlook.

MARKET RISK PROFILE

Market risk is the risk of economic loss in the value of our financial instruments due to changes in market factors. 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, including 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 interest rate-sensitive revenue resulting from movements in interest rates. Interest rate-sensitive revenue consists of net interest income and certain components of other non-interest income significantly impacted by movements in interest rates, including changes in the fair value of freestanding interest rate derivatives. 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 interest rate-sensitive revenue, we assume a hypothetical instantaneous parallel shift in the level of interest rates detailed in Table 36 below. At the current level of interest rates, our interest rate sensitive revenue is expected to increase in higher rate scenarios and decrease modestly in lower rate scenarios. Our current sensitivity to upward shocks has decreased as compared to December 31, 2020, mainly due to the increase in long-term interest rates.

Economic Value of Equity

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 36 below. Our current economic value of equity sensitivity profile demonstrates that our economic value of equity increasing in moderately higher interest rate scenarios (+50 and +100 bps), while decreasing in a more extreme higher interest rate scenario (+200 bps) and a lower interest rate scenario (-50 bps). Similar to the changes in net interest income sensitivity, our current economic value of equity sensitivity to upward shocks has also decreased as compared to December 31, 2020 mainly due to the increase in long term interest rates.

Table 36 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 March 31, 2021 and December 31, 2020. 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%.

Table 36: Interest Rate Sensitivity Analysis

	March 31, 2021	December 31, 2020
Estimated impact on projected baseline net interest income:		
+200 basis points	**4.9 %**	5.6 %
+100 basis points	**3.7**	4.3
+50 basis points	**2.1**	2.4
–50 basis points	**(1.3)**	(0.9)
Estimated impact on economic value of equity:		
+200 basis points	**(2.8)**	4.2
+100 basis points	**1.3**	6.0
+50 basis points	**1.2**	4.0
–50 basis points	**(2.8)**	(7.0)

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 the 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 210 million GBP and 320 million GBP as of March 31, 2021 and December 31, 2020, respectively, and 4.8 billion CAD and 5.3 billion CAD as of March 31, 2021 and December 31, 2020, respectively. Our EUR-denominated borrowings outstanding were 1.3 billion EUR as of both March 31, 2021 and December 31, 2020.

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 1.7 billion GBP as of both March 31, 2021 and December 31, 2020 and 1.6 billion CAD and 1.5 billion CAD as of March 31, 2021 and December 31, 2020, 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 banks to contribute LIBOR data beyond December 31, 2021. In the U.S., the Federal Reserve Board and the Federal Reserve Bank of New York established the Alternative Reference Rates Committee (“ARRC”), a group of private market participants and ex-officio members representing banking and financial sector regulators. The ARRC has recommended Secured Overnight Financing Rate (“SOFR”) as the preferred alternative rate for certain U.S. dollar derivative and cash instruments. While the ARRC has recommended SOFR as the replacement rate for LIBOR, some markets participants have begun using alternate rates featuring a credit-sensitive element. We are continuing to evaluate the different LIBOR alternatives and how their progression will impact our transition efforts.

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 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.

We have exposures to LIBOR, including loans, derivative contracts, unsecured debt, securitizations, vendor agreements and other instruments with attributes that are either directly or indirectly dependent on LIBOR. To facilitate an orderly transition from LIBOR, we have established a company-wide, cross-functional initiative to oversee and manage our transition away from LIBOR and other Interbank Offered Rates (“IBORs”) to alternative reference rates.

We have made progress on our transition efforts as we continue to insert LIBOR transition language (“fallback language”) in new and existing lending contracts as well as fallback language in derivatives contracts and agreements that adheres to the International Swaps and Derivatives Association (“ISDA”) fallback protocol.

We also continue to focus our transition efforts on:

- monitoring market developments related to SOFR and other LIBOR replacement indexes;
- originating SOFR-based loans and transacting in SOFR-linked instruments;
- reviewing existing legal contracts and agreements and assessing fallback language impacts;
- monitoring and reducing our inventory of LIBOR exposures;
- building internal operational readiness and risk management processes, including exposure reporting;
- implementing necessary updates to our infrastructure including systems, models, valuation tools and processes;
- engaging with our clients, industry working groups, and regulators; and
- monitoring developments associated with LIBOR alternatives and industry practices related to LIBOR-indexed instruments.

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—*Uncertainty regarding, and transition away from, LIBOR may adversely affect our business*” in our 2020 Form 10-K.

SUPERVISION AND REGULATION

Dividends and Stock Repurchases Update

In March 2021, the Federal Reserve extended the temporary capital distribution restrictions in place during the first quarter of 2021 for all CCAR participating BHCs through the second quarter of 2021. In particular, for the second quarter of 2021, the aggregate amount of common stock dividend payments and share repurchases shall not exceed an amount equal to the average net income earned across the four preceding calendar quarters. In addition, common stock dividend payments for the second quarter of 2021 continue to be capped at the amount paid in the second quarter of 2020.

If a participating BHC remains above all of its minimum risk-based capital requirements in its 2021 supervisory stress test, these temporary capital distribution restrictions will no longer apply to such BHC after the second quarter of 2021, and the normal restrictions under the stress capital buffer framework will apply instead. For any participating BHC that falls below any of its minimum risk-based capital requirements in its 2021 supervisory stress test, these temporary capital distribution restrictions will continue to apply for such BHC through the end of the third quarter of 2021.

Temporary Exclusions for Supplementary Leverage Ratio

The temporary exclusions of U.S. Treasury securities and deposits at Federal Reserve Banks from the supplementary leverage ratio denominator for BHCs, as well as depository institutions that elected to make such exclusions, remained in effect through March 31, 2021 and expired as scheduled thereafter. These temporary exclusions were made to provide flexibility for banking organizations to provide credit to households and businesses in light of the COVID-19 pandemic.

COVID-19 Activities

The PPP has been expanded and extended by recent legislation. The American Rescue Plan Act of 2021, which was enacted on March 11, 2021, provides additional funding to the PPP and expands eligibility for PPP loans. In addition, the PPP Extension Act of 2021, which was enacted on March 30, 2021, extends the PPP application deadline to May 31, 2021 and extends authorization of the PPP through June 30, 2021 to provide the Small Business Administration additional time to process applications received by the application deadline.

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 this report. You should carefully consider the factors discussed above, 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 and related public health measures on our business, financial condition and results of operations, including the increased estimation and forecast uncertainty as a result of the pandemic on 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;
- 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 we rely on;
- increased costs, reductions in revenue, reputational damage, legal liability and business disruptions that can result from data protection or privacy incidents or the theft, loss or misuse of information, including as a result of a cyber-attack;
- 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 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;
- uncertainty regarding, and transition away from, the London Interbank Offering Rate;
- our ability to attract, retain and motivate skilled employees;
- our assumptions or estimates in our financial statements;
- limitations on our ability to receive dividends from our subsidiaries;
- 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 TABLE

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)	March 31, 2021	December 31, 2020
Tangible Common Equity (Period-End):		
Stockholders' equity	**$ 61,188**	$ 60,204
Goodwill and intangible assets[1]	**(14,789)**	(14,809)
Noncumulative perpetual preferred stock	**(4,847)**	(4,847)
Tangible common equity	**$ 41,552**	$ 40,548
Tangible Common Equity (Quarterly Average):		
Stockholders' equity	**$ 60,623**	$ 59,389
Goodwill and intangible assets[1]	**(14,807)**	(14,824)
Noncumulative perpetual preferred stock	**(4,847)**	(5,168)
Tangible common equity	**$ 40,969**	$ 39,397
Tangible Assets (Period-End):		
Total assets	**$ 425,175**	$ 421,602
Goodwill and intangible assets[1]	**(14,789)**	(14,809)
Tangible assets	**$ 410,386**	$ 406,793
Tangible Assets (Quarterly Average):		
Total assets	**$ 421,808**	$ 420,011
Goodwill and intangible assets[1]	**(14,807)**	(14,824)
Tangible assets	**$ 407,001**	$ 405,187
Non-GAAP Ratio:		
Tangible common equity ("TCE")[2]	**10.1 %**	10.0 %

(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

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 “2020 Form 10-K” or “2020 Annual Report” are to our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Banks: Refers to COBNA and CONA.

Basel Committee: The Basel Committee on Banking Supervision.

Basel III Advanced Approaches: Following the Tailoring Rule, the Basel III Advanced Approaches was 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. This law, 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 TDRs, 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.

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

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 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 of loss from an obligor’s failure to meet the terms of any contract or otherwise fail to 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 currency derivative contracts: An agreement to exchange contractual amounts of one currency for another currency at one or more future dates.

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 period.

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 arrangements: 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-backed security ("MBS"): An asset-backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans.

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.

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

Tailoring Rules: In October 2019, the Federal Banking Agencies released final rules that provide for tailored application of certain capital, liquidity and stress-testing requirements across different categories of banking institutions. As a bank holding company with total consolidated assets of at least $250 billion that does not exceed any of the applicable risk-based thresholds, we are a Category III institution under the Tailoring Rules.

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

Tax Act: The Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 enacted on December 22, 2017.

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.

Variable interest entity ("VIE"): An entity that (i) lacks enough equity investment at risk to permit the entity to finance its activities without additional financial support from other parties; (ii) has equity owners that lack the right to make significant decisions affecting the entity's operations; and/or (iii) has equity owners that do not have an obligation to absorb or the right to receive the entity's losses or return.

Acronyms

AML: Anti-money laundering
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
CCAR: Comprehensive Capital Analysis and Review
CCP: Central Counterparty Clearinghouse, or Central Clearinghouse
CDE: Community development entities
CECL: Current expected credit loss
CMBS: Commercial mortgage-backed securities
CME: Chicago Mercantile Exchange
COEP: Capital One (Europe) plc
COF: Capital One Financial Corporation
CVA: Credit valuation adjustment
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
FHLB: Federal Home Loan Banks
Fitch: Fitch Ratings
FOS: Financial Ombudsman Service
Freddie Mac: Federal Home Loan Mortgage Corporation
GAAP: Generally accepted accounting principles in the U.S.
GBP: Pound sterling
Ginnie Mae: Government National Mortgage Association
G-SIB: Global systemically important banks
GSE or **Agency:** Government-sponsored enterprise
IBA: Intercontinental Exchange Benchmark Administration
IBOR: Interbank Offered Rate
IRM: Independent Risk Management
LCH: LCH Group
LCR: Liquidity coverage ratio
LIBOR: London Interbank Offered Rate
MDL: Multi-district litigation
Moody's: Moody's Investors Service

MSRs: Mortgage servicing rights
OCC: Office of the Comptroller of the Currency
OTC: Over-the-counter
PCA: Prompt corrective action
PCI: Purchased credit-impaired
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
SCB: Stress Capital Buffer
SOFR: Secured Overnight Financing Rate
TCE: Tangible common equity
TDR: Troubled debt restructuring
U.K.: United Kingdom
U.S.: United States of America
VIE: Variable interest entity
XBRL: Extensible business reporting language

Item 1. Financial Statements and Notes

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in millions, except per share-related data)	Three Months Ended March 31, 2021	2020
Interest income:		
Loans, including loans held for sale	**$ 5,854**	$ 6,542
Investment securities	**391**	530
Other	**16**	37
Total interest income	**6,261**	7,109
Interest expense:		
Deposits	**269**	731
Securitized debt obligations	**32**	99
Senior and subordinated notes	**129**	239
Other borrowings	**9**	15
Total interest expense	**439**	1,084
Net interest income	**5,822**	6,025
Provision (benefit) for credit losses	**(823)**	5,423
Net interest income after provision for credit losses	**6,645**	602
Non-interest income:		
Interchange fees, net	**817**	752
Service charges and other customer-related fees	**352**	327
Net securities gains	**4**	0
Other	**118**	145
Total non-interest income	**1,291**	1,224
Non-interest expense:		
Salaries and associate benefits	**1,847**	1,627
Occupancy and equipment	**472**	517
Marketing	**501**	491
Professional services	**292**	287
Communications and data processing	**302**	302
Amortization of intangibles	**6**	22
Other	**320**	483
Total non-interest expense	**3,740**	3,729
Income (loss) from continuing operations before income taxes	**4,196**	(1,903)
Income tax provision (benefit)	**869**	(563)
Income (loss) from continuing operations, net of tax	**3,327**	(1,340)
Loss from discontinued operations, net of tax	**(2)**	0
Net income (loss)	**3,325**	(1,340)
Dividends and undistributed earnings allocated to participating securities	**(28)**	(3)
Preferred stock dividends	**(61)**	(55)
Issuance cost for redeemed preferred stock	**0**	(22)
Net income (loss) available to common stockholders	**$ 3,236**	$ (1,420)
Basic earnings per common share:		
Net income (loss) from continuing operations	**$ 7.06**	$ (3.10)
Net income (loss) per basic common share	**$ 7.06**	$ (3.10)
Diluted earnings per common share:		
Net income (loss) from continuing operations	**$ 7.03**	$ (3.10)
Net income (loss) per diluted common share	**$ 7.03**	$ (3.10)

See Notes to Consolidated Financial Statements.

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

(Dollars in millions)	Three Months Ended March 31, 2021	2020
Net income (loss)	**$ 3,325**	$ (1,340)
Other comprehensive income (loss), net of tax:		
Net unrealized gains (losses) on securities available for sale	**(1,148)**	1,224
Net unrealized gains (losses) on hedging relationships	**(581)**	1,374
Foreign currency translation adjustments	**19**	(67)
Other	**(1)**	0
Other comprehensive income (loss), net of tax	**(1,711)**	2,531
Comprehensive income	**$ 1,614**	$ 1,191

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in millions, except per share-related data)	March 31, 2021	December 31, 2020
Assets:		
Cash and cash equivalents:		
Cash and due from banks	**$ 4,670**	$ 4,708
Interest-bearing deposits and other short-term investments	**45,825**	35,801
Total cash and cash equivalents	**50,495**	40,509
Restricted cash for securitization investors	**1,779**	262
Securities available for sale (amortized cost of $97.8 billion and $97.6 billion and allowance for credit losses of $2 million and $1 million as of March 31, 2021 and December 31, 2020, respectively)	**99,165**	100,445
Loans held for investment:		
Unsecuritized loans held for investment	**219,182**	225,698
Loans held in consolidated trusts	**23,949**	25,926
Total loans held for investment	**243,131**	251,624
Allowance for credit losses	**(14,017)**	(15,564)
Net loans held for investment	**229,114**	236,060
Loans held for sale ($908 million and $596 million carried at fair value as of March 31, 2021 and December 31, 2020, respectively)	**2,896**	2,710
Premises and equipment, net	**4,277**	4,287
Interest receivable	**1,380**	1,471
Goodwill	**14,654**	14,653
Other assets	**21,415**	21,205
Total assets	**$ 425,175**	$ 421,602
Liabilities:		
Interest payable	**$ 288**	$ 352
Deposits:		
Non-interest-bearing deposits	**34,003**	31,142
Interest-bearing deposits	**276,325**	274,300
Total deposits	**310,328**	305,442
Securitized debt obligations	**12,071**	12,414
Other debt:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	**842**	668
Senior and subordinated notes	**25,467**	27,382
Other borrowings	**70**	75
Total other debt	**26,379**	28,125
Other liabilities	**14,921**	15,065
Total liabilities	**363,987**	361,398
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 March 31, 2021 and December 31, 2020)	**0**	0
Common stock (par value $0.01 per share; 1,000,000,000 shares authorized; 682,761,557 and 679,932,837 shares issued as of March 31, 2021 and December 31, 2020, respectively; 456,800,844 and 458,972,202 shares outstanding as of March 31, 2021 and December 31, 2020, respectively)	**7**	7
Additional paid-in capital, net	**33,671**	33,480
Retained earnings	**43,167**	40,088
Accumulated other comprehensive income	**1,783**	3,494
Treasury stock, at cost (par value $0.01 per share; 225,960,713 and 220,960,635 shares as of March 31, 2021 and December 31, 2020, respectively)	**(17,440)**	(16,865)
Total stockholders' equity	**61,188**	60,204
Total liabilities and stockholders' equity	**$ 425,175**	$ 421,602

See Notes to Consolidated Financial Statements.

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

	Preferred Stock		Common Stock						
(Dollars in millions)	Shares	Amount	Shares	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						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**

	Preferred Stock		Common Stock						
(Dollars in millions)	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance as of December 31, 2019	4,975,000	$ 0	672,969,391	$ 7	$ 32,980	$ 40,340	$ 1,156	$ (16,472)	$ 58,011
Cumulative effects from adoption of the CECL standard						(2,184)	(8)		(2,192)
Comprehensive income						(1,340)	2,531		1,191
Dividends—common stock[(1)]			23,213	0	2	(187)			(185)
Dividends—preferred stock						(55)			(55)
Purchases of treasury stock								(386)	(386)
Issuances of common stock and restricted stock, net of forfeitures			2,618,628	0	63				63
Exercises of stock options			559,333	0	20				20
Issuances of preferred stock	1,250,000	0			1,209				1,209
Redemptions of preferred stock	(875,000)	0			(853)	(22)			(875)
Compensation expense for restricted stock units and stock options					29				29
Balance as of March 31, 2020	5,350,000	$ 0	676,170,565	$ 7	$ 33,450	$ 36,552	$ 3,679	$ (16,858)	$ 56,830

(1) We declared dividends per share on our common stock of 0.40 in both the first quarters of 2021 and 2020.

See Notes to Consolidated Financial Statements.

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

(Dollars in millions)	Three Months Ended March 31, 2021	2020
Operating activities:		
Income (loss) from continuing operations, net of tax	**$ 3,327**	$ (1,340)
Income (loss) from discontinued operations, net of tax	**(2)**	—
Net income (loss)	**3,325**	(1,340)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Provision (benefit) for credit losses	**(823)**	5,423
Depreciation and amortization, net	**855**	893
Deferred tax provision (benefit)	**345**	(748)
Net securities losses (gains)	**(4)**	—
Gain on sales of loans	**(5)**	(4)
Stock-based compensation expense	**119**	24
Other (including (gains) and losses from equity investments)	**66**	—
Loans held for sale:		
Originations and purchases	**(1,914)**	(2,258)
Proceeds from sales and paydowns	**1,651**	1,507
Changes in operating assets and liabilities:		
Changes in interest receivable	**91**	71
Changes in other assets	**(1,570)**	1,325
Changes in interest payable	**(64)**	(80)
Changes in other liabilities	**(435)**	595
Net change from discontinued operations	**(1)**	1
Net cash from operating activities	**1,636**	5,409
Investing activities:		
Securities available for sale:		
Purchases	**(7,881)**	(3,927)
Proceeds from paydowns and maturities	**7,015**	3,822
Proceeds from sales	**595**	144
Loans:		
Net changes in loans held for investment	**7,055**	686
Principal recoveries of loans previously charged off	**614**	666
Net purchases of premises and equipment	**(178)**	(154)
Net cash from other investing activities	**52**	(196)
Net cash from investing activities	**7,272**	1,041

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**
Financing activities:		
Deposits and borrowings:		
Changes in deposits	**$ 4,938**	$ 6,702
Issuance of securitized debt obligations	**—**	1,248
Maturities and paydowns of securitized debt obligations	**(271)**	(2,208)
Issuance of senior and subordinated notes and long-term FHLB advances	**—**	1,995
Maturities and paydowns of senior and subordinated notes and long-term FHLB advances	**(1,500)**	(1,500)
Changes in other borrowings	**169**	(927)
Common stock:		
Net proceeds from issuances	**60**	63
Dividends paid	**(184)**	(185)
Preferred stock:		
Net proceeds from issuances	**—**	1,209
Dividends paid	**(61)**	(55)
Redemptions	**—**	(875)
Purchases of treasury stock	**(575)**	(386)
Proceeds from share-based payment activities	**19**	20
Net cash from financing activities	**2,595**	5,101
Changes in cash, cash equivalents and restricted cash for securitization investors	**11,503**	11,551
Cash, cash equivalents and restricted cash for securitization investors, beginning of the period	**40,771**	13,749
Cash, cash equivalents and restricted cash for securitization investors, end of the period	**$ 52,274**	$ 25,300
Supplemental cash flow information:		
Non-cash items:		
Net transfers from (to) loans held for investment to (from) loans held for sale	**$ 160**	$ (73)
Interest paid	**637**	1,157
Income tax paid	**111**	64

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") offer a broad array of financial products and services to consumers, small businesses and commercial clients through digital channels, branches, Cafés and other distribution channels. As of March 31, 2021, our principal subsidiaries included:

- Capital One Bank (USA), National Association ("COBNA"), which offers credit and debit card products, other lending products and deposit products; 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. Certain prior period amounts have been reclassified to conform to the current period presentation.

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 2020 Annual Report on Form 10-K ("2020 Form 10-K").

Newly Adopted Accounting Standards During the Three Months Ended March 31, 2021

Standard	Guidance	Adoption Timing and Financial Statement Impacts
Income Tax Accounting Simplification ASU No. 2019-12, Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes* *Issued December 2019*	Simplifies various aspects of the guidance on accounting for income taxes.	We adopted this guidance in the first quarter of 2021 using the modified retrospective and prospective methods of adoption. Our adoption of this standard did not have a material impact on our consolidated financial statements.

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 as well as 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 96% of our total investment securities portfolio as of both March 31, 2021 and December 31, 2020.

The table below presents the amortized cost, gross unrealized gains and losses, and fair value of securities available for sale as of March 31, 2021 and December 31, 2020. Accrued interest receivable of $237 million and $230 million as of March 31, 2021, and December 31, 2020, respectively, is not included in the below table.

Table 2.1: Investment Securities Available for Sale

	March 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	**$ 9,222**	**$ 0**	**$ 26**	**$ 0**	**$ 9,248**
RMBS:					
Agency	**73,579**	**0**	**1,649**	**(783)**	**74,445**
Non-agency	**973**	**(2)**	**206**	**0**	**1,177**
Total RMBS	**74,552**	**(2)**	**1,855**	**(783)**	**75,622**
Agency CMBS	**11,015**	**0**	**315**	**(56)**	**11,274**
Other securities[1]	**3,013**	**0**	**8**	**0**	**3,021**
Total investment securities available for sale	**$ 97,802**	**$ (2)**	**$ 2,204**	**$ (839)**	**$ 99,165**

	December 31, 2020				
(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	$ 9,302	$ 0	$ 16	$ 0	$ 9,318
RMBS:					
Agency	73,248	0	2,326	(108)	75,466
Non-agency	1,035	(1)	204	(1)	1,237
Total RMBS	74,283	(1)	2,530	(109)	76,703
Agency CMBS	11,298	0	448	(11)	11,735
Other securities[1]	2,686	0	3	0	2,689
Total investment securities available for sale	$ 97,569	$ (1)	$ 2,997	$ (120)	$ 100,445

(1) Includes $2.1 billion and $1.8 billion of asset-backed securities ("ABS") as of March 31, 2021, and December 31, 2020, 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 March 31, 2021 and December 31, 2020. The amounts include securities available for sale without an allowance for credit losses.

Table 2.2: Securities in a Gross Unrealized Loss Position

	March 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	**$ 33,027**	**$ (733)**	**$ 1,558**	**$ (50)**	**$ 34,585**	**$ (783)**
Non-agency	**10**	**0**	**1**	**0**	**11**	**0**
Total RMBS	**33,037**	**(733)**	**1,559**	**(50)**	**34,596**	**(783)**
Agency CMBS	**2,083**	**(56)**	**155**	**0**	**2,238**	**(56)**
Other securities[1]	**371**	**0**	**0**	**0**	**371**	**0**
Total investment securities available for sale in a gross unrealized loss position without an allowance for credit losses[2]	**$ 35,491**	**$ (789)**	**$ 1,714**	**$ (50)**	**$ 37,205**	**$ (839)**

	December 31, 2020					
	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	$ 7,424	$ (57)	$ 1,791	$ (51)	$ 9,215	$ (108)
Non-agency	12	0	0	0	12	0
Total RMBS	7,436	(57)	1,791	(51)	9,227	(108)
Agency CMBS	1,545	(7)	267	(4)	1,812	(11)
Other securities[1]	114	0	1	0	115	0
Total investment securities available for sale in a gross unrealized loss position without an allowance for credit losses[2]	$ 9,095	$ (64)	$ 2,059	$ (55)	$ 11,154	$ (119)

(1) Includes primarily other asset-backed securities, foreign government bonds, and supranational bonds.

(2) Consists of approximately 540 and 320 securities in gross unrealized loss positions as of March 31, 2021 and December 31, 2020, respectively.

Maturities and Yields of Investment Securities

The table below summarizes, by major security type, the contractual maturities and weighted-average yields of our investment securities as of March 31, 2021. 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

	March 31, 2021				
(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	$ 201	$ 9,047	$ 0	$ 0	$ 9,248
RMBS[1]:					
Agency	0	71	1,210	73,164	74,445
Non-agency	0	0	0	1,177	1,177
Total RMBS	0	71	1,210	74,341	75,622
Agency CMBS[1]	209	2,961	5,063	3,041	11,274
Other securities	542	2,214	265	0	3,021
Total securities available for sale	$ 952	$ 14,293	$ 6,538	$ 77,382	$ 99,165
Amortized cost of securities available for sale	$ 949	$ 14,206	$ 6,411	$ 76,236	$ 97,802
Weighted-average yield for securities available for sale	0.97 %	0.52 %	1.62 %	1.80 %	1.59 %

(1) As of March 31, 2021, the weighted-average expected maturities of RMBS and Agency CMBS are 5.8 years and 5.6 years, respectively.

Net Securities Gains or Losses and Proceeds from Sales

Total proceeds from sales of our securities were $595 million and $144 million for the three months ended March 31, 2021 and 2020, respectively. We recognized gains of $4 million and less than $1 million from the sales for the three months ended March 31, 2021 and 2020, respectively.

Securities Pledged and Received

We pledged investment securities totaling $16.8 billion and $16.5 billion as of March 31, 2021 and December 31, 2020, respectively. These securities are primarily pledged to secure FHLB advances and Public Funds deposits, as well as for other purposes as required or permitted by law. We accepted pledges of securities with a fair value of approximately $1 million as of both March 31, 2021 and December 31, 2020, 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. Amounts include the impacts of COVID-19 customer assistance programs where applicable.

Accrued interest receivable of $1.1 billion and $1.2 billion as of March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020. The delinquency aging includes all past due loans, both performing and nonperforming.

Table 3.1: Loan Portfolio Composition and Aging Analysis

	March 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	$ 89,059	$ 527	$ 393	$ 1,120	$ 2,040	$ 91,099
International card businesses	7,819	71	47	91	209	8,028
Total credit card	96,878	598	440	1,211	2,249	99,127
Consumer Banking:						
Auto	64,828	1,565	545	121	2,231	67,059
Retail banking	3,091	28	8	16	52	3,143
Total consumer banking	67,919	1,593	553	137	2,283	70,202
Commercial Banking:						
Commercial and multifamily real estate	29,854	38	0	116	154	30,008
Commercial and industrial	43,670	43	6	75	124	43,794
Total commercial banking	73,524	81	6	191	278	73,802
Total loans[1]	$ 238,321	$ 2,272	$ 999	$ 1,539	$ 4,810	$ 243,131
% of Total loans	98.02 %	0.94 %	0.41 %	0.63 %	1.98 %	100.00 %

(Dollars in millions)	December 31, 2020 Current	Delinquent Loans 30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Credit Card:						
Domestic credit card	$ 96,116	$ 755	$ 464	$ 1,169	$ 2,388	$ 98,504
International card businesses	8,218	90	58	86	234	8,452
Total credit card	104,334	845	522	1,255	2,622	106,956
Consumer Banking:						
Auto	62,381	2,252	907	222	3,381	65,762
Retail banking	3,064	28	19	15	62	3,126
Total consumer banking	65,445	2,280	926	237	3,443	68,888
Commercial Banking:						
Commercial and multifamily real estate	30,340	136	22	183	341	30,681
Commercial and industrial	44,941	69	15	74	158	45,099
Total commercial banking	75,281	205	37	257	499	75,780
Total loans[(1)]	$ 245,060	$ 3,330	$ 1,485	$ 1,749	$ 6,564	$ 251,624
% of Total loans	97.39 %	1.32 %	0.59 %	0.70 %	2.61 %	100.00 %

(1) Loans include unamortized premiums and discounts, and unamortized deferred fees and costs totaling $1.1 billion as of both March 31, 2021 and December 31, 2020.

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 March 31, 2021 and December 31, 2020. 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)	March 31, 2021 ≥ 90 Days and Accruing	Nonperforming Loans[(1)]	Nonperforming Loans Without an Allowance	December 31, 2020 ≥ 90 Days and Accruing	Nonperforming Loans[(1)]	Nonperforming Loans Without an Allowance
Credit Card:						
Domestic credit card	**$ 1,120**	**N/A**	**$ 0**	$ 1,169	N/A	$ 0
International card businesses	**87**	**$ 14**	**0**	82	$ 21	0
Total credit card	**1,207**	**14**	**0**	1,251	21	0
Consumer Banking:						
Auto	**0**	**192**	**0**	0	294	0
Retail banking	**0**	**36**	**11**	0	30	0
Total consumer banking	**0**	**228**	**11**	0	324	0
Commercial Banking:						
Commercial and multifamily real estate	**0**	**234**	**219**	51	200	184
Commercial and industrial	**0**	**448**	**255**	0	450	265
Total commercial banking	**0**	**682**	**474**	51	650	449
Total	**$ 1,207**	**$ 924**	**$ 485**	$ 1,302	$ 995	$ 449
% of Total loans held for investment	**0.5 %**	**0.4 %**	**0.2 %**	0.5 %	0.4 %	0.2 %

(1) We recognized interest income for loans classified as nonperforming of $1 million and $2 million for the three months ended March 31, 2021 and 2020, 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 home values, 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 March 31, 2021 and December 31, 2020.

Table 3.3: Credit Card Delinquency Status

	March 31, 2021			December 31, 2020		
(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	**$ 88,609**	**$ 450**	**$ 89,059**	$ 95,629	$ 487	$ 96,116
30-59 days	**511**	**16**	**527**	734	21	755
60-89 days	**382**	**11**	**393**	451	13	464
Greater than 90 days	**1,107**	**13**	**1,120**	1,155	14	1,169
Total domestic credit card	**90,609**	**490**	**91,099**	97,969	535	98,504
International card businesses:						
Current	**7,753**	**66**	**7,819**	8,152	66	8,218
30-59 days	**63**	**8**	**71**	79	11	90
60-89 days	**40**	**7**	**47**	47	11	58
Greater than 90 days	**83**	**8**	**91**	76	10	86
Total international card businesses	**7,939**	**89**	**8,028**	8,354	98	8,452
Total credit card	**$ 98,548**	**$ 579**	**$ 99,127**	$ 106,323	$ 633	$ 106,956

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, such as unemployment rates, gross domestic product and home values, 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 March 31, 2021 and December 31, 2020. 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

	March 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	$ 4,632	$ 12,126	$ 7,169	$ 4,010	$ 2,302	$ 977	$ 31,216	$ 0	$ 0	$ 31,216
621-660	1,749	5,311	3,238	1,749	987	444	13,478	0	0	13,478
620 or below	2,390	8,852	5,666	2,915	1,685	857	22,365	0	0	22,365
Total auto	8,771	26,289	16,073	8,674	4,974	2,278	67,059	0	0	67,059
Retail banking—Delinquency status:										
Current	332	880	227	201	212	650	2,502	582	7	3,091
30-59 days	0	0	0	5	2	3	10	18	0	28
60-89 days	0	0	0	0	0	5	5	3	0	8
Greater than 90 days	0	0	0	1	1	4	6	9	1	16
Total retail banking[2]	332	880	227	207	215	662	2,523	612	8	3,143
Total consumer banking	$ 9,103	$ 27,169	$ 16,300	$ 8,881	$ 5,189	$ 2,940	$ 69,582	$ 612	$ 8	$ 70,202

	December 31, 2020									
	Term Loans by Vintage Year									
(Dollars in millions)	2020	2019	2018	2017	2016	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Auto—At origination FICO scores:[1]										
Greater than 660	$ 13,352	$ 8,091	$ 4,675	$ 2,810	$ 1,168	$ 203	$ 30,299	$ 0	$ 0	$ 30,299
621-660	5,781	3,631	2,003	1,172	488	109	13,184	0	0	13,184
620 or below	9,550	6,298	3,317	1,985	886	243	22,279	0	0	22,279
Total auto	28,683	18,020	9,995	5,967	2,542	555	65,762	0	0	65,762
Retail banking—Delinquency status:										
Current	1,041	233	206	222	167	537	2,406	651	7	3,064
30-59 days	0	0	7	1	2	2	12	15	1	28
60-89 days	0	0	1	0	5	4	10	8	1	19
Greater than 90 days	0	0	0	1	1	4	6	9	0	15
Total retail banking[2]	1,041	233	214	224	175	547	2,434	683	9	3,126
Total consumer banking	$ 29,724	$ 18,253	$ 10,209	$ 6,191	$ 2,717	$ 1,102	$ 68,196	$ 683	$ 9	$ 68,888

(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 $1.1 billion and $919 million as of March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020. The internal risk rating status includes all past due loans, both performing and nonperforming.

Table 3.5: Commercial Banking Portfolio by Internal Risk Ratings

	March 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	**$ 610**	**$ 3,498**	**$ 4,788**	**$ 3,200**	**$ 1,230**	**$ 5,997**	**$ 19,323**	**$ 6,845**	**$ 0**	**$ 26,168**
Criticized performing	**154**	**304**	**507**	**488**	**351**	**1,729**	**3,533**	**48**	**25**	**3,606**
Criticized nonperforming	**0**	**0**	**11**	**30**	**6**	**187**	**234**	**0**	**0**	**234**
Total commercial and multifamily real estate	**764**	**3,802**	**5,306**	**3,718**	**1,587**	**7,913**	**23,090**	**6,893**	**25**	**30,008**
Commercial and industrial										
Noncriticized	**2,024**	**8,846**	**7,223**	**3,851**	**2,552**	**4,483**	**28,979**	**11,091**	**61**	**40,131**
Criticized performing	**85**	**255**	**926**	**330**	**202**	**226**	**2,024**	**1,149**	**42**	**3,215**
Criticized nonperforming	**19**	**74**	**58**	**75**	**53**	**5**	**284**	**164**	**0**	**448**
Total commercial and industrial	**2,128**	**9,175**	**8,207**	**4,256**	**2,807**	**4,714**	**31,287**	**12,404**	**103**	**43,794**
Total commercial banking[2]	**$ 2,892**	**$ 12,977**	**$ 13,513**	**$ 7,974**	**$ 4,394**	**$ 12,627**	**$ 54,377**	**$ 19,297**	**$ 128**	**$ 73,802**

	December 31, 2020									
	Term Loans by Vintage Year									
(Dollars in millions)	2020	2019	2018	2017	2016	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Internal risk rating:[1]										
Commercial and multifamily real estate										
Noncriticized	$ 3,791	$ 4,932	$ 3,232	$ 1,437	$ 1,649	$ 4,904	$ 19,945	$ 7,114	$ 0	$ 27,059
Criticized performing	320	446	515	355	391	1,258	3,285	112	25	3,422
Criticized nonperforming	0	11	30	6	3	150	200	0	0	200
Total commercial and multifamily real estate	4,111	5,389	3,777	1,798	2,043	6,312	23,430	7,226	25	30,681
Commercial and industrial										
Noncriticized	9,761	7,890	4,043	2,717	1,832	3,034	29,277	11,548	80	40,905
Criticized performing	316	794	521	252	106	215	2,204	1,498	42	3,744
Criticized nonperforming	74	108	25	51	9	0	267	183	0	450
Total commercial and industrial	10,151	8,792	4,589	3,020	1,947	3,249	31,748	13,229	122	45,099
Total commercial banking[2]	$ 14,262	$ 14,181	$ 8,366	$ 4,818	$ 3,990	$ 9,561	$ 55,178	$ 20,455	$ 147	$ 75,780

(1) Criticized exposures correspond to the “Special Mention,” “Substandard” and “Doubtful” asset categories defined by bank regulatory authorities.
(2) Includes PPP loans of $275 million and $238 million as of March 31, 2021 and December 31, 2020, respectively.

Troubled Debt Restructurings

Additional guidance issued by the Federal Banking Agencies and contained in the Coronavirus Aid, Relief, and Economic Security Act provides banking organizations with TDR relief for modifications of current borrowers impacted by the COVID-19 pandemic. In adherence with the guidance, we assessed all loan modifications introduced to current borrowers in response to the COVID-19 pandemic through March 31, 2021, that would have been designated as TDRs under our existing policies, and followed guidance that any such eligible loan modifications made on a temporary and good faith basis are not considered TDRs. We consider the impact of all loan modifications, including those offered via our COVID-19 programs, when estimating the credit quality of our loan portfolio and establishing allowance levels. For our Commercial Banking customers, enrollment in a customer assistance program is also considered in the assignment of an internal risk rating.

Total recorded TDRs were $2.0 billion and $2.1 billion as of March 31, 2021 and December 31, 2020, respectively. TDRs classified as performing in our credit card and consumer banking loan portfolios totaled $1.3 billion as of both March 31, 2021 and December 31, 2020. TDRs classified as performing in our commercial banking loan portfolio totaled $354 million and $442 million as of March 31, 2021 and December 31, 2020, respectively. Commitments to lend additional funds on loans modified in TDRs totaled $178 million and $173 million as of March 31, 2021 and December 31, 2020, respectively.

Loans Modified in TDRs

As part of our loan modification programs to borrowers experiencing financial difficulty, we may provide multiple concessions to minimize our economic loss and improve long-term loan performance and collectability. The following tables present the major modification types, amortized cost amounts and financial effects of loans modified in TDRs during the three months ended March 31, 2021 and 2020.

Table 3.6: Troubled Debt Restructurings

		Three Months Ended March 31, 2021			
		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	$ 44	100 %	16.12 %	0 %	0
International card businesses	39	100	27.74	0	0
Total credit card	83	100	21.58	0	0
Consumer Banking:					
Auto	115	35	9.02	95	3
Total consumer banking	115	35	9.02	95	3
Commercial Banking:					
Commercial and multifamily real estate	20	0	0.00	100	14
Commercial and industrial	44	0	0.00	25	2
Total commercial banking	64	0	0.00	48	10
Total	$ 262	47	33.62	54	5

(Dollars in millions)	Three Months Ended March 31, 2020					
		Reduced Interest Rate		Term Extension		
	Total Loans Modified[1]	% of TDR Activity[2]	Average Rate Reduction	% of TDR Activity[2]	Average Term Extension (Months)
Credit Card:					
Domestic credit card	$ 89	100 %	16.45 %	0 %	0
International card businesses	51	100	27.32	0	0
Total credit card	140	100	20.41	0	0
Consumer Banking:					
Auto	123	20	3.34	94	5
Retail banking	3	1	12.50	0	4
Total consumer banking	126	20	3.36	92	5
Commercial Banking:					
Commercial and multifamily real estate	19	0	0.00	100	12
Commercial and industrial	7	0	0.00	0	0
Total commercial banking	26	0	0.00	73	12
Total	$ 292	56	17.87	46	6

(1) Represents the amortized cost of total loans modified in TDRs 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 concession as part of the modification.

(2) Due to multiple concessions 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 TDRs 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: TDRs—Subsequent Defaults

(Dollars in millions)	Three Months Ended March 31,			
	2021		2020	
	Number of Contracts	Amount	Number of Contracts	Amount
Credit Card:				
Domestic credit card	**5,134**	**$ 10**	10,886	$ 22
International card businesses	**17,202**	**28**	17,857	26
Total credit card	**22,336**	**38**	28,743	48
Consumer Banking:				
Auto	**2,031**	**29**	1,275	16
Retail banking	**5**	**0**	1	0
Total consumer banking	**2,036**	**29**	1,276	16
Commercial Banking:				
Commercial and industrial	**0**	**0**	6	28
Total commercial banking	**0**	**0**	6	28
Total	**24,372**	**$ 67**	30,025	$ 92

Loans Pledged

We pledged loan collateral of $12.8 billion and $14.1 billion to secure the majority of our FHLB borrowing capacity of $18.4 billion and $19.6 billion as of March 31, 2021 and December 31, 2020, respectively. We also pledged loan collateral of $28.8 billion and $25.5 billion to secure our Federal Reserve Discount Window borrowing capacity of $22.9 billion and $20.0 billion as of March 31, 2021 and December 31, 2020, 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 months ended March 31, 2021 and 2020, respectively, we converted $97 million and $160 million of revolving loans to term loans, 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. 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. Significant judgment is applied in our estimation of lifetime 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 2020 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 months ended March 31, 2021 and 2020. Our allowance for credit losses decreased by $1.5 billion to $14.0 billion as of March 31, 2021 from December 31, 2020, primarily driven by strong credit performance and an improved economic outlook.

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

	Three Months Ended March 31, 2021			
(Dollars in millions)	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	**(993)**	**(342)**	**(19)**	**(1,354)**
Recoveries[1]	**360**	**251**	**3**	**614**
Net charge-offs	**(633)**	**(91)**	**(16)**	**(740)**
Provision (benefit) for credit losses	**(492)**	**(126)**	**(195)**	**(813)**
Allowance build (release) for credit losses	**(1,125)**	**(217)**	**(211)**	**(1,553)**
Other changes[2]	**6**	**0**	**0**	**6**
Balance as of March 31, 2021	**10,072**	**2,498**	**1,447**	**14,017**
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**	**(8)**	**(8)**
Balance as of March 31, 2021	**0**	**0**	**187**	**187**
Combined allowance and reserve as of March 31, 2021	**$ 10,072**	**$ 2,498**	**$ 1,634**	**$ 14,204**

	Three Months Ended March 31, 2020			
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Total
Allowance for credit losses:				
Balance as of December 31, 2019	$ 5,395	$ 1,038	$ 775	$ 7,208
Cumulative effects from adoption of the CECL standard	2,241	502	102	2,845
Finance charge and fee reserve reclassification[3]	462	0	0	462
Balance as of January 1, 2020	8,098	1,540	877	10,515
Charge-offs	(1,849)	(496)	(112)	(2,457)
Recoveries[1]	413	250	3	666
Net charge-offs	(1,436)	(246)	(109)	(1,791)
Provision (benefit) for credit losses	3,702	860	805	5,367
Allowance build (release) for credit losses	2,266	614	696	3,576
Other changes[2]	(18)	0	0	(18)
Balance as of March 31, 2020	10,346	2,154	1,573	14,073
Reserve for unfunded lending commitments:				
Balance as of December 31, 2019	0	5	130	135
Cumulative effects from adoption of the CECL standard	0	(5)	42	37
Balance as of January 1, 2020	0	0	172	172
Provision (benefit) for losses on unfunded lending commitments	0	0	51	51
Balance as of March 31, 2020	0	0	223	223
Combined allowance and reserve as of March 31, 2020	$ 10,346	$ 2,154	$ 1,796	$ 14,296

(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.

(3) Concurrent with our adoption of the CECL standard in the first quarter of 2020, we reclassified our finance charge and fee reserve to our allowance for credit losses, with a corresponding increase to credit card loans held for investment.

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 2020 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 months ended March 31, 2021 and 2020.

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

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**
Estimated reimbursements from partners, beginning of period	$ 2,159	$ 2,166
Amounts due from partners which reduced net charge-offs	**(141)**	(302)
Amounts estimated to be charged (from) to partners which reduced provision for credit losses	**(13)**	789
Estimated reimbursements from partners, end of period	**$ 2,005**	$ 2,653

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 have 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 our maximum 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 March 31, 2021 and December 31, 2020. We separately present information for consolidated and unconsolidated VIEs.

Table 5.1: Carrying Amount of Consolidated and Unconsolidated VIEs

	March 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]	$ 22,146	$ 10,339	$ 0	$ 0	$ 0
Auto loan securitizations	2,067	1,784	0	0	0
Total securitization-related VIEs	24,213	12,123	0	0	0
Other VIEs:[3]					
Affordable housing entities	251	17	4,676	1,319	4,676
Entities that provide capital to low-income and rural communities	1,999	26	0	0	0
Other	0	0	411	0	411
Total other VIEs	2,250	43	5,087	1,319	5,087
Total VIEs	$ 26,463	$ 12,166	$ 5,087	$ 1,319	$ 5,087

(Dollars in millions)	December 31, 2020 Consolidated Carrying Amount of Assets	Consolidated Carrying Amount of Liabilities	Unconsolidated Carrying Amount of Assets	Unconsolidated Carrying Amount of Liabilities	Unconsolidated Maximum Exposure to Loss
Securitization-Related VIEs:[(1)]					
Credit card loan securitizations[(2)]	$ 22,066	$ 10,338	$ 0	$ 0	$ 0
Auto loan securitizations	2,360	2,055	0	0	0
Total securitization-related VIEs	24,426	12,393	0	0	0
Other VIEs:[(3)]					
Affordable housing entities	242	17	4,602	1,240	4,602
Entities that provide capital to low-income and rural communities	1,951	26	0	0	0
Other	0	0	436	0	436
Total other VIEs	2,193	43	5,038	1,240	5,038
Total VIEs	$ 26,619	$ 12,436	$ 5,038	$ 1,240	$ 5,038

(1) Excludes insignificant VIEs from previously exited businesses.

(2) Represents the carrying amount of assets and liabilities owned by 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 $575 million of liabilities as of March 31, 2021, and $2.3 billion of assets and $596 million of liabilities as of December 31, 2020.

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 enterprise ("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 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 March 31, 2021 and December 31, 2020.

Table 5.2: Continuing Involvement in Securitization-Related VIEs

(Dollars in millions)	Credit Card	Auto
March 31, 2021:		
Securities held by third-party investors	**$ 10,288**	**$ 1,783**
Receivables in the trust	**22,008**	**1,941**
Cash balance of spread or reserve accounts	**0**	**10**
Retained interests	**Yes**	**Yes**
Servicing retained	**Yes**	**Yes**
December 31, 2020:		
Securities held by third-party investors	$ 10,361	$ 2,053
Receivables in the trust	23,683	2,243
Cash balance of spread or reserve accounts	0	10
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 securitization involves 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 first three months of 2021 and 2020, we recognized amortization of $156 million and $139 million, respectively, and tax credits of $258 million and $155 million, respectively, associated with these investments within income tax provision or benefit. The carrying value of our equity investments in these qualified affordable housing projects was $4.6 billion and $4.5 billion as of March 31, 2021 and December 31, 2020, 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 $1.5 billion as of both March 31, 2021 and December 31, 2020, and is largely expected to be paid from 2021 to 2023.

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 $4.7 billion and $4.6 billion as of March 31, 2021 and December 31, 2020, respectively. 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 $11.0 billion as of both March 31, 2021 and December 31, 2020.

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 $2.0 billion as of both of March 31, 2021 and December 31, 2020, 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 were 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 $411 million and $436 million as of March 31, 2021 and December 31, 2020, 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 INTANGIBLE ASSETS

The table below presents our goodwill, intangible assets and MSRs as of March 31, 2021 and December 31, 2020. Goodwill is presented separately, while intangible assets and MSRs are included in other assets on our consolidated balance sheets.

Table 6.1: Components of Goodwill, Intangible Assets and MSRs

	March 31, 2021		
(Dollars in millions)	Carrying Amount of Assets	Accumulated Amortization	Net Carrying Amount
Goodwill	**$ 14,654**	**N/A**	**$ 14,654**
Intangible assets:			
Purchased credit card relationship ("PCCR") intangibles	**147**	**$ (139)**	**8**
Other[1]	**184**	**(108)**	**76**
Total intangible assets	**331**	**(247)**	**84**
Total goodwill and intangible assets	**$ 14,985**	**$ (247)**	**$ 14,738**
Commercial MSRs[2]	**$ 562**	**$ (183)**	**$ 379**

	December 31, 2020		
(Dollars in millions)	Carrying Amount of Assets	Accumulated Amortization	Net Carrying Amount
Goodwill	$ 14,653	N/A	$ 14,653
Intangible assets:			
PCCR intangibles	148	$ (138)	10
Other[1]	248	(168)	80
Total intangible assets	396	(306)	90
Total goodwill and intangible assets	$ 15,049	$ (306)	$ 14,743
Commercial MSRs[2]	$ 542	$ (175)	$ 367

(1) Primarily consists of intangibles for sponsorship, customer and merchant relationships, partnership, trade name and other 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 $6 million and $22 million of amortization expense for the three months ended March 31, 2021 and 2020, respectively.

Goodwill

The following table presents changes in carrying amount of goodwill by each of our business segments as of March 31, 2021 and December 31, 2020.

Table 6.2: Goodwill by Business Segments

(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Total
Balance as of December 31, 2020	$ 5,088	$ 4,645	$ 4,920	$ 14,653
Other adjustments[1]	**1**	**0**	**0**	**1**
Balance as of March 31, 2021	**$ 5,089**	**$ 4,645**	**$ 4,920**	**$ 14,654**

(1) Represents foreign currency translation adjustments.

NOTE 7—DEPOSITS AND BORROWINGS

Our deposits represent our largest source of funding for our assets and operations, which 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 March 31, 2021 and December 31, 2020. 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)	March 31, 2021	December 31, 2020
Deposits:		
Non-interest-bearing deposits	**$ 34,003**	$ 31,142
Interest-bearing deposits[1]	**276,325**	274,300
Total deposits	**$ 310,328**	$ 305,442
Short-term borrowings:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	**$ 842**	$ 668
Total short-term borrowings	**$ 842**	$ 668

	March 31, 2021				December 31, 2020
(Dollars in millions)	Maturity Dates	Stated Interest Rates	Weighted-Average Interest Rate	Carrying Value	Carrying Value
Long-term debt:					
Securitized debt obligations	**2021-2026**	**0.46% - 3.01%**	**1.86 %**	**$ 12,071**	$ 12,414
Senior and subordinated notes:					
Fixed unsecured senior debt[2]	**2021-2029**	**0.80 - 4.75**	**3.20**	**19,478**	21,045
Floating unsecured senior debt	**2022-2023**	**0.93 - 1.36**	**1.12**	**1,359**	1,609
Total unsecured senior debt			**3.06**	**20,837**	22,654
Fixed unsecured subordinated debt	**2023-2026**	**3.38 - 4.20**	**3.78**	**4,630**	4,728
Total senior and subordinated notes				**25,467**	27,382
Other long-term borrowings:					
Finance lease liabilities	**2021-2031**	**0.26 - 9.91**	**3.82**	**70**	75
Total other long-term borrowings				**70**	75
Total long-term debt				**$ 37,608**	$ 39,871
Total short-term borrowings and long-term debt				**$ 38,450**	$ 40,539

(1) Includes $3.0 billion and $4.2 billion of time deposits in denominations in excess of the $250,000 federal insurance limit as of March 31, 2021 and December 31, 2020, respectively.

(2) Includes $1.5 billion and $1.6 billion of EUR-denominated unsecured notes as of March 31, 2021 and December 31, 2020, 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 derivatives 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 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 arises 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") 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 arrangements, where possible, and exchanging collateral with our counterparties, typically in the form of cash or high-quality liquid securities. The amount of collateral exchanged 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. 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 cash 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. 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 upfront by CCPs as collateral against potential losses on our 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 and LCH-cleared OTC derivatives, we characterize variation margin cash payments 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 legally enforceable master netting agreements and collateral agreements, where possible, with bilateral derivative counterparties to mitigate the risk of default. We review our collateral positions on a daily basis and exchange collateral with our counterparties in accordance with these agreements. 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 derivative instruments 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 March 31, 2021 and December 31, 2020, 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

	March 31, 2021			December 31, 2020		
	Notional or Contractual Amount	Derivative[(1)]		Notional or Contractual Amount	Derivative[(1)]	
(Dollars in millions)		Assets	Liabilities		Assets	Liabilities
Derivatives designated as accounting hedges:						
Interest rate contracts:						
Fair value hedges	**$ 45,880**	**$ 6**	**$ 22**	$ 47,349	$ 9	$ 10
Cash flow hedges	**84,150**	**503**	**30**	82,150	748	1
Total interest rate contracts	**130,030**	**509**	**52**	129,499	757	11
Foreign exchange contracts:						
Fair value hedges	**1,466**	**84**	**0**	1,527	164	0
Cash flow hedges	**4,106**	**6**	**81**	4,582	0	161
Net investment hedges	**3,172**	**0**	**195**	3,116	0	196
Total foreign exchange contracts	**8,744**	**90**	**276**	9,225	164	357
Total derivatives designated as accounting hedges	**138,774**	**599**	**328**	138,724	921	368
Derivatives not designated as accounting hedges:						
Customer accommodation:						
Interest rate contracts	**68,333**	**935**	**210**	68,459	1,429	198
Commodity contracts	**16,881**	**1,234**	**1,039**	16,871	935	820
Foreign exchange and other contracts	**4,027**	**42**	**38**	4,677	58	70
Total customer accommodation	**89,241**	**2,211**	**1,287**	90,007	2,422	1,088
Other interest rate exposures[(2)]	**2,118**	**59**	**33**	1,770	71	56
Other contracts	**1,794**	**0**	**3**	1,826	1	6
Total derivatives not designated as accounting hedges	**93,153**	**2,270**	**1,323**	93,603	2,494	1,150
Total derivatives	**$ 231,927**	**$ 2,869**	**$ 1,651**	$ 232,327	$ 3,415	$ 1,518
Less: netting adjustment[(3)]		**(844)**	**(679)**		(1,148)	(739)
Total derivative assets/liabilities		**$ 2,025**	**$ 972**		$ 2,267	$ 779

(1) Does not reflect $26 million and $31 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020.

Table 8.2: Hedged Items in Fair Value Hedging Relationships

	March 31, 2021			December 31, 2020		
		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)]	**$ 9,948**	**$ 485**	**$ 194**	$ 9,797	$ 590	$ 200
Interest-bearing deposits	**(10,820)**	**(155)**	**0**	(11,312)	(213)	0
Securitized debt obligations	**(7,536)**	**(96)**	**15**	(7,609)	(171)	20
Senior and subordinated notes	**(20,265)**	**(913)**	**(633)**	(21,927)	(1,282)	(666)

(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 $249 million, the amount of the designated hedged items was $225 million, and the cumulative basis adjustments associated with these hedges was ($1 million) as of March 31, 2021. We had no such hedging relationships as of December 31, 2020.

(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 arrangements 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 arrangements for balance sheet presentation where a right of setoff exists. For derivative contracts entered into under master netting arrangements for which we have not been able to confirm the enforceability of the setoff rights, or those not subject to master netting arrangements, 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 March 31, 2021 and December 31, 2020. 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

(Dollars in millions)		Gross Amounts	Gross Amounts Offset in the Balance Sheet				Net Amounts as Recognized		Securities Collateral Held Under Master Netting Agreements		Net Exposure
				Financial Instruments		Cash Collateral Received					
As of March 31, 2021											
Derivative assets[1]	**$**	**2,869**	**$**	**(369)**	**$**	**(475)**	**$**	**2,025**	**$**	**0**	**$ 2,025**
As of December 31, 2020											
Derivative assets[1]		3,415		(383)		(765)		2,267		0	2,267

(Dollars in millions)		Gross Amounts	Gross Amounts Offset in the Balance Sheet				Net Amounts as Recognized		Securities Collateral Pledged Under Master Netting Agreements		Net Exposure
				Financial Instruments		Cash Collateral Pledged					
As of March 31, 2021											
Derivative liabilities[1]	**$**	**1,651**	**$**	**(369)**	**$**	**(310)**	**$**	**972**	**$**	**0**	**$ 972**
Repurchase agreements[2]		**842**		**0**		**0**		**842**		**(842)**	**0**
As of December 31, 2020											
Derivative liabilities[1]		1,518		(383)		(356)		779		0	779
Repurchase agreements[2]		668		0		0		668		(668)	0

(1) We received cash collateral from derivative counterparties totaling $562 million and $862 million as of March 31, 2021 and December 31, 2020, respectively. We also received securities from derivative counterparties with a fair value of approximately $1 million as of both March 31, 2021 and December 31, 2020, which we have the ability to re-pledge. We posted $1.7 billion and $1.5 billion of cash collateral as of March 31, 2021 and December 31, 2020, respectively.

(2) Under our customer repurchase agreements, which mature the next business day, we pledged collateral with a fair value of $859 million and $682 million as of March 31, 2021 and December 31, 2020, 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 months ended March 31, 2021 and 2020.

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

	Three Months Ended March 31, 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	**$ 391**	**$ 5,854**	**$ 16**	**$ (269)**	**$ (32)**	**$ (129)**	**$ 118**
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	**$ (25)**	**$ 0**	**$ 0**	**$ 36**	**$ 33**	**$ 62**	**$ 0**
Gains (losses) recognized on derivatives	**100**	**0**	**0**	**(58)**	**(80)**	**(336)**	**(61)**
Gains (losses) recognized on hedged items[1]	**(105)**	**0**	**0**	**58**	**75**	**368**	**61**
Excluded component of fair value hedges[2]	**0**	**0**	**0**	**0**	**0**	**(1)**	**0**
Net income (expense) recognized on fair value hedges	**$ (30)**	**$ 0**	**$ 0**	**$ 36**	**$ 28**	**$ 93**	**$ 0**
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains reclassified from AOCI into net income	**$ 9**	**$ 226**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Foreign exchange contracts:							
Realized gains reclassified from AOCI into net income[4]	**0**	**0**	**1**	**0**	**0**	**0**	**0**
Net income recognized on cash flow hedges	**$ 9**	**$ 226**	**$ 1**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

(Dollars in millions)	Three Months Ended March 31, 2020						
	Net Interest Income						Non-Interest Income
	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	$ 530	$ 6,542	$ 37	$ (731)	$ (99)	$ (239)	$ 145
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	$ (11)	$ 0	$ 0	$ (2)	$ 12	$ 39	$ 0
Gains (losses) recognized on derivatives	(338)	0	0	287	282	1,068	(23)
Gains (losses) recognized on hedged items[1]	338	0	0	(286)	(292)	(1,091)	23
Excluded component of fair value hedges[2]	0	0	0	0	0	(1)	0
Net expense recognized on fair value hedges	$ (11)	$ 0	$ 0	$ (1)	$ 2	$ 15	$ 0
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized losses reclassified from AOCI into net income	$ 2	$ 24	$ 0	$ 0	$ 0	$ 0	$ 0
Foreign exchange contracts:							
Realized gains reclassified from AOCI into net income[4]	0	0	7	0	0	0	0
Net income (expense) recognized on cash flow hedges	$ 2	$ 24	$ 7	$ 0	$ 0	$ 0	$ 0

(1) Includes amortization benefit of $22 million and expense of $36 million for the three months ended March 31, 2021 and 2020, 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 $85 million and $392 million for the three months ended March 31, 2021 and 2020, 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 other non-interest income.

In the next 12 months, we expect to reclassify net after-tax gains of $575 million recorded in AOCI as of March 31, 2021 into earnings. These amounts will offset the cash flows associated with the hedged forecasted transactions. The maximum length of time over which forecasted transactions were hedged was approximately 7 years as of March 31, 2021. 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 months ended March 31, 2021 and 2020. These gains or losses are recognized in other non-interest income in our consolidated statements of income.

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

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**
Gains (losses) recognized in other non-interest income:		
Customer accommodation:		
Interest rate contracts	**$ 10**	$ 13
Commodity contracts	**5**	17
Foreign exchange and other contracts	**4**	3
Total customer accommodation	**19**	33
Other interest rate exposures	**11**	18
Other contracts	**0**	(1)
Total	**$ 30**	$ 50

NOTE 9—STOCKHOLDERS' EQUITY

Preferred Stock

The following table summarizes our preferred stock outstanding as of March 31, 2021 and December 31, 2020.

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 March 31, 2021	Carrying Value (in millions) March 31, 2021	Carrying Value (in millions) December 31, 2020
Series E	Fixed-to-Floating Rate Non-Cumulative	May 14, 2015	June 1, 2020	5.550% through 5/31/2020; 3-mo. LIBOR + 380 bps thereafter	Semi-Annually through 5/31/2020; Quarterly thereafter	$ 1,000	1,000,000	**$ 988**	$ 988
Series G	5.200% Non-Cumulative	July 29, 2016	December 1, 2021	5.200	Quarterly	1,000	600,000	**583**	583
Series H	6.000% Non-Cumulative	November 29, 2016	December 1, 2021	6.000	Quarterly	1,000	500,000	**483**	483
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
Total								**$ 4,847**	$ 4,847

[1] Except for Series E, 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 AOCI impacts from the adoption of the CECL standard and the changes in AOCI by component for the three months ended March 31, 2021 and 2020.

Table 9.2: AOCI

(Dollars in millions)	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	**(1,145)**	**(338)**	**19**	**0**	**(1,464)**
Amounts reclassified from AOCI into earnings	**(3)**	**(243)**	**0**	**(1)**	**(247)**
Other comprehensive income (loss), net of tax	**(1,148)**	**(581)**	**19**	**(1)**	**(1,711)**
AOCI as of March 31, 2021	**$ 1,038**	**$ 781**	**$ (12)**	**$ (24)**	**$ 1,783**

(Dollars in millions)	Securities Available for Sale	Hedging Relationships[1]	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of December 31, 2019	$ 935	$ 354	$ (107)	$ (26)	$ 1,156
Cumulative effects from the adoption of the CECL standard	(8)	0	0	0	(8)
Other comprehensive income (loss) before reclassifications	1,224	1,695	(67)	0	2,852
Amounts reclassified from AOCI into earnings	0	(321)	0	0	(321)
Other comprehensive income (loss), net of tax	1,224	1,374	(67)	0	2,531
AOCI as of March 31, 2020	$ 2,151	$ 1,728	$ (174)	$ (26)	$ 3,679

(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 loss of $21 million and gain of $142 million for the three months ended March 31, 2021 and 2020, 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 months ended March 31, 2021 and 2020.

Table 9.3: Reclassifications from AOCI

(Dollars in millions)		Three Months Ended March 31,	
AOCI Components	**Affected Income Statement Line Item**	**2021**	**2020**
Securities available for sale:			
	Non-interest income	**$ 4**	$ 0
	Income tax provision	**1**	0
	Net income	**3**	0
Hedging relationships:			
Interest rate contracts:	Interest income	**235**	26
Foreign exchange contracts:	Interest income	**1**	7
	Interest expense	**(1)**	(1)
	Non-interest income	**85**	392
	Income from continuing operations before income taxes	**320**	424
	Income tax provision	**77**	103
	Net income	**243**	321
Other:			
	Non-interest income and non-interest expense	**1**	0
	Income tax provision	**0**	0
	Net income	**1**	0
Total reclassifications		**$ 247**	$ 321

The table below summarizes other comprehensive income (loss) activity and the related tax impact for the three months ended March 31, 2021 and 2020.

Table 9.4: Other Comprehensive Income (Loss)

	Three Months Ended March 31,					
	2021			2020		
(Dollars in millions)	Before Tax	Provision (Benefit)	After Tax	Before Tax	Provision (Benefit)	After Tax
Other comprehensive income (loss):						
Net unrealized gains (loss) on securities available for sale	**$ (1,512)**	**$ (364)**	**$ (1,148)**	$ 1,610	$ 386	$ 1,224
Net unrealized gains (loss) on hedging relationships	**(766)**	**(185)**	**(581)**	1,808	434	1,374
Foreign currency translation adjustments[1]	**13**	**(6)**	**19**	(21)	46	(67)
Other	**(1)**	**0**	**(1)**	0	0	0
Other comprehensive income (loss)	**$ (2,266)**	**$ (555)**	**$ (1,711)**	$ 3,397	$ 866	$ 2,531

(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

	Three Months Ended March 31,	
(Dollars and shares in millions, except per share data)	**2021**	**2020**
Income (loss) from continuing operations, net of tax	**$ 3,327**	$ (1,340)
Loss from discontinued operations, net of tax	**(2)**	0
Net income (loss)	**3,325**	(1,340)
Dividends and undistributed earnings allocated to participating securities	**(28)**	(3)
Preferred stock dividends	**(61)**	(55)
Issuance cost for redeemed preferred stock	**0**	(22)
Net income (loss) available to common stockholders	**$ 3,236**	$ (1,420)
Total weighted-average basic common shares outstanding	**458.6**	457.6
Effect of dilutive securities:[1]		
Stock options	**0.8**	—
Other contingently issuable shares	**0.7**	—
Total effect of dilutive securities	**1.5**	—
Total weighted-average diluted common shares outstanding	**460.1**	457.6
Basic earnings per common share:		
Net income (loss) from continuing operations	**$ 7.06**	$ (3.10)
Net income (loss) per basic common share	**$ 7.06**	$ (3.10)
Diluted earnings per common share:[1]		
Net income (loss) from continuing operations	**$ 7.03**	$ (3.10)
Net income (loss) per diluted common share	**$ 7.03**	$ (3.10)

(1) Excluded from the computation of diluted earnings per share were 103 thousand shares related to awards for the three months ended March 31, 2021, because their inclusion would be anti-dilutive. In periods of net loss available to common stockholders, dilutive securities are excluded as their inclusion would have an anti-dilutive effect. Accordingly, awards of 1.6 million shares and options of 2.8 million shares with an exercise price ranging from $36.55 to $86.34 were excluded from the computation of diluted earnings per share for the three months ended March 31, 2020, because their inclusion would be anti-dilutive.

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 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 2020 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 March 31, 2021 and December 31, 2020.

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

	March 31, 2021				
	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	$ 9,248	$ 0	$ 0	—	$ 9,248
RMBS	0	75,296	326	—	75,622
CMBS	0	11,264	10	—	11,274
Other securities	199	2,822	0	—	3,021
Total securities available for sale	9,447	89,382	336	—	99,165
Loans held for sale	0	908	0	—	908
Other assets:					
Derivative assets[2]	463	2,249	157	$ (844)	2,025
Other[3]	624	2	50	—	676
Total assets	$ 10,534	$ 92,541	$ 543	$ (844)	$ 102,774
Liabilities:					
Other liabilities:					
Derivative liabilities[2]	$ 528	$ 1,000	$ 123	$ (679)	$ 972
Total liabilities	$ 528	$ 1,000	$ 123	$ (679)	$ 972

(Dollars in millions)	December 31, 2020 Fair Value Measurements Using Level 1	Level 2	Level 3	Netting Adjustments[1]	Total
Assets:					
Securities available for sale:					
U.S. Treasury securities	$ 9,318	$ 0	$ 0	—	$ 9,318
RMBS	0	76,375	328	—	76,703
CMBS	0	11,624	111	—	11,735
Other securities	142	2,547	0	—	2,689
Total securities available for sale	9,460	90,546	439	—	100,445
Loans held for sale	0	596	0	—	596
Other assets:					
Derivative assets[2]	268	3,006	141	$ (1,148)	2,267
Other[3]	430	552	55	—	1,037
Total assets	$ 10,158	$ 94,700	$ 635	$ (1,148)	$ 104,345
Liabilities:					
Other liabilities:					
Derivative liabilities[2]	$ 271	$ 1,137	$ 110	$ (739)	$ 779
Total liabilities	$ 271	$ 1,137	$ 110	$ (739)	$ 779

(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 $26 million and $31 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of March 31, 2021 and December 31, 2020, 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.

(3) As of March 31, 2021 and December 31, 2020, other includes retained interests in securitizations of $50 million and $55 million, deferred compensation plan assets of $449 million and $414 million, and equity securities of $177 million and $568 million including unrealized losses of $38 million and unrealized gains of $535 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 months ended March 31, 2021 and 2020. 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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three Months Ended March 31, 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, March 31, 2021	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of March 31, 2021[1]
Securities available for sale:[2]											
RMBS	$ 328	$ 7	$ 2	$ 0	$ 0	$ 0	$ (26)	$ 39	$ (24)	$ 326	$ 7
CMBS	111	0	(2)	0	0	0	(6)	0	(93)	10	0
Total securities available for sale	439	7	0	0	0	0	(32)	39	(117)	336	7
Other assets:											
Retained interests in securitizations	55	(5)	0	0	0	0	0	0	0	50	(5)
Net derivative assets (liabilities)[3]	31	(21)	0	0	0	38	(14)	0	0	34	(19)

(Dollars in millions)	Balance, January 1, 2020	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, March 31, 2020	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of March 31, 2020[1]
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three Months Ended March 31, 2020										
Securities available for sale:[2]											
RMBS	$ 433	$ 3	$ (53)	$ 0	$ 0	$ 0	$ (17)	$ 9	$ (2)	$ 373	$ 3
CMBS	13	0	0	0	0	0	(1)	24	0	36	0
Total securities available for sale	446	3	(53)	0	0	0	(18)	33	(2)	409	3
Other assets:											
Retained interests in securitizations	66	(7)	0	0	0	0	0	0	0	59	(7)
Net derivative assets (liabilities)[3]	26	20	0	0	0	24	(2)	0	(2)	66	18

(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) Net unrealized losses included in OCI related to Level 3 securities available for sale still held as of March 31, 2021 were $2 million. Net unrealized losses included in OCI related to Level 3 securities available for sale still held as of March 31, 2020 were $52 million.

(3) Includes derivative assets and liabilities of $157 million and $123 million, respectively, as of March 31, 2021, $147 million and $81 million, respectively, as of March 31, 2020..

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 and 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.

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 March 31, 2021	Significant Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average[1]
Securities available for sale:					
RMBS	$ **326**	Discounted cash flows (vendor pricing)	Yield Voluntary prepayment rate Default rate Loss severity	**1-19%** **3-15%** **0-11%** **30-100%**	**3%** **10%** **2%** **72%**
CMBS	**10**	Discounted cash flows (vendor pricing)	Yield	**1-2%**	**1%**
Other assets:					
Retained interests in securitizations[2]	**50**	Discounted cash flows	Life of receivables (months) Voluntary prepayment rate Discount rate Default rate Loss severity	**36-46** **9-12%** **3-13%** **2-4%** **49-151%**	**N/A**
Net derivative assets (liabilities)	**34**	Discounted cash flows	Swap rates	**2%**	**2%**

(Dollars in millions)	Fair Value at December 31, 2020	Significant Valuation Techniques	Significant Unobservable Inputs	Range	Weighted Average[1]
Securities available for sale:					
RMBS	$ 328	Discounted cash flows (vendor pricing)	Yield Voluntary prepayment rate Default rate Loss severity	2-12% 8-15% 0-11% 30-100%	3% 10% 2% 73%
CMBS	111	Discounted cash flows (vendor pricing)	Yield	1-3%	2%
Other assets:					
Retained interests in securitizations[2]	55	Discounted cash flows	Life of receivables (months) Voluntary prepayment rate Discount rate Default rate Loss severity	37-52 3-13% 2-12% 3-3% 55-70%	N/A
Net derivative assets (liabilities)	31	Discounted cash flows	Swap rates	1%	1%

(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 March 31, 2021 and December 31, 2020, and for which a nonrecurring fair value measurement was recorded during the three and twelve months then ended.

Table 11.4: Nonrecurring Fair Value Measurements

	March 31, 2021		
	Estimated Fair Value Hierarchy		
(Dollars in millions)	Level 2	Level 3	Total
Loans held for investment	$ 0	$ 65	$ 65
Other assets[(1)]	0	49	49
Total	$ 0	$ 114	$ 114

	December 31, 2020		
	Estimated Fair Value Hierarchy		
(Dollars in millions)	Level 2	Level 3	Total
Loans held for investment	$ 0	$ 305	$ 305
Other assets[(1)]	0	175	175
Total	$ 0	$ 480	$ 480

(1) As of March 31, 2021, other assets included equity investments accounted for under the measurement alternative of $8 million and repossessed assets of $41 million. As of December 31, 2020, other assets included equity investments accounted for under the measurement alternative of $25 million, repossessed assets of $42 million and long-lived assets held for sale of $108 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 89%, with a weighted average of 27%, and from 0% to 89%, with a weighted average of 14%, as of March 31, 2021 and December 31, 2020, 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 March 31, 2021 and 2020.

Table 11.5: Nonrecurring Fair Value Measurements Included in Earnings

	Total Gains (Losses)	
	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Loans held for investment	$ (16)	$ (207)
Other assets[(1)]	(36)	(44)
Total	$ (52)	$ (251)

(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 March 31, 2021 and December 31, 2020.

Table 11.6: Fair Value of Financial Instruments

	March 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	**$ 50,495**	**$ 50,495**	**$ 4,670**	**$ 45,825**	**$ 0**
Restricted cash for securitization investors	**1,779**	**1,779**	**1,779**	**0**	**0**
Net loans held for investment	**229,114**	**236,495**	**0**	**0**	**236,495**
Loans held for sale	**1,988**	**2,082**	**0**	**2,082**	**0**
Interest receivable	**1,380**	**1,380**	**0**	**1,380**	**0**
Other investments[1]	**1,344**	**1,344**	**0**	**1,344**	**0**
Financial liabilities:					
Deposits with defined maturities	**26,842**	**27,130**	**0**	**27,130**	**0**
Securitized debt obligations	**12,071**	**12,239**	**0**	**12,239**	**0**
Senior and subordinated notes	**25,467**	**26,212**	**0**	**26,212**	**0**
Federal funds purchased and securities loaned or sold under agreements to repurchase	**842**	**842**	**0**	**842**	**0**
Interest payable	**288**	**288**	**0**	**288**	**0**

	December 31, 2020				
			Estimated Fair Value Hierarchy		
(Dollars in millions)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 40,509	$ 40,509	$ 4,708	$ 35,801	$ 0
Restricted cash for securitization investors	262	262	262	0	0
Net loans held for investment	236,060	244,701	0	0	244,701
Loans held for sale	2,114	2,214	0	2,214	0
Interest receivable	1,471	1,471	0	1,471	0
Other investments[1]	1,341	1,341	0	1,341	0
Financial liabilities:					
Deposits with defined maturities	32,746	33,111	0	33,111	0
Securitized debt obligations	12,414	12,584	0	12,584	0
Senior and subordinated notes	27,382	28,282	0	28,282	0
Federal funds purchased and securities loaned or sold under agreements to repurchase	668	668	0	668	0
Interest payable	352	352	0	352	0

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(1) Other investments include FHLB and Federal Reserve stock. These investments are included in other assets on our consolidated balance sheets.

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 2020 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 months ended March 31, 2021 and 2020, selected balance sheet data as of March 31, 2021 and 2020, 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 March 31, 2021				
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking[1]**	**Other[1]**	**Consolidated Total**
Net interest income (loss)	**$ 3,372**	**$ 2,030**	**$ 520**	**$ (100)**	**$ 5,822**
Non-interest income (loss)	**1,029**	**141**	**240**	**(119)**	**1,291**
Total net revenue (loss)[2]	**4,401**	**2,171**	**760**	**(219)**	**7,113**
Provision (benefit) for credit losses	**(492)**	**(126)**	**(203)**	**(2)**	**(823)**
Non-interest expense	**2,135**	**1,117**	**419**	**69**	**3,740**
Income (loss) from continuing operations before income taxes	**2,758**	**1,180**	**544**	**(286)**	**4,196**
Income tax provision (benefit)	**653**	**278**	**128**	**(190)**	**869**
Income (loss) from continuing operations, net of tax	**$ 2,105**	**$ 902**	**$ 416**	**$ (96)**	**$ 3,327**
Loans held for investment	**$ 99,127**	**$ 70,202**	**$ 73,802**	**$ 0**	**$ 243,131**
Deposits	**0**	**254,001**	**41,552**	**14,775**	**310,328**

	Three Months Ended March 31, 2020				
(Dollars in millions)	**Credit Card**	**Consumer Banking**	**Commercial Banking[1]**	**Other[1]**	**Consolidated Total**
Net interest income	$ 3,702	$ 1,657	$ 491	$ 175	$ 6,025
Non-interest income (loss)	911	126	238	(51)	1,224
Total net revenue[2]	4,613	1,783	729	124	7,249
Provision (benefit) for credit losses	3,702	860	856	5	5,423
Non-interest expense	2,208	991	412	118	3,729
Income (loss) from continuing operations before income taxes	(1,297)	(68)	(539)	1	(1,903)
Income tax benefit	(306)	(16)	(128)	(113)	(563)
Income (loss) from continuing operations, net of tax	$ (991)	$ (52)	$ (411)	$ 114	$ (1,340)
Loans held for investment	$ 117,797	$ 64,033	$ 81,160	$ 0	$ 262,990
Deposits	0	217,607	32,822	19,260	269,689

(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 $180 million and $389 million in the first quarters of 2021 and 2020, respectively, for 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 overdrafts and 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 months ended March 31, 2021 and 2020.

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

	Three Months Ended March 31, 2021				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[(1)]	Other[(1)]	Consolidated Total
Contract revenue:					
Interchange fees, net[(2)]	**$ 743**	**$ 57**	**$ 17**	**$ 0**	**$ 817**
Service charges and other customer-related fees	**0**	**44**	**50**	**0**	**94**
Other	**70**	**19**	**1**	**0**	**90**
Total contract revenue	**813**	**120**	**68**	**0**	**1,001**
Revenue (reduction) from other sources	**216**	**21**	**172**	**(119)**	**290**
Total non-interest income (loss)	**$ 1,029**	**$ 141**	**$ 240**	**$ (119)**	**$ 1,291**

	Three Months Ended March 31, 2020				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[(1)]	Other[(1)]	Consolidated Total
Contract revenue:					
Interchange fees, net[(2)]	$ 688	$ 50	$ 15	$ (1)	$ 752
Service charges and other customer-related fees	0	64	31	0	95
Other	70	19	1	0	90
Total contract revenue	758	133	47	(1)	937
Revenue (reduction) from other sources	153	(7)	191	(50)	287
Total non-interest income (loss)	$ 911	$ 126	$ 238	$ (51)	$ 1,224

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(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 March 31, 2021 and December 31, 2020. 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)	**March 31, 2021**	**December 31, 2020**	**March 31, 2021**	**December 31, 2020**
Credit card lines	**$ 354,055**	$ 349,594	**N/A**	N/A
Other loan commitments[1]	**36,990**	35,836	**$ 138**	$ 144
Standby letters of credit and commercial letters of credit[2]	**1,265**	1,302	**30**	32
Total unfunded lending commitments	**$ 392,310**	$ 386,732	**$ 168**	$ 176

(1) Includes $2.1 billion and $1.8 billion of advised lines of credit as of March 31, 2021 and December 31, 2020, respectively.

(2) These financial guarantees have expiration dates ranging from 2021 to 2023 as of March 31, 2021.

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 $98 million and $97 million as of March 31, 2021 and December 31, 2020, 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 March 31, 2021 are approximately $250 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 73 putative consumer class action cases (61 in U.S. federal courts and 12 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, where the remaining 29 consumer class actions are currently pending. 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.

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.

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 are cooperating with these offices and responding 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 are cooperating 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. As of the first quarter of 2021, 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 March 31, 2021, 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 March 31, 2021, 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 first quarter of 2021 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 2020 Form 10-K.

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

The following table presents information related to the withholdings of our common stock for each calendar month in the first quarter of 2021. 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	Maximum Amount That May Yet be Purchased Under the Plan or Program *(in millions)*
January	—	—	—	$ 7,500
February	**4,809,485**	**$ 114.35**	**4,234,800**	**7,017**
March	**190,593**	**130.23**	**57,200**	**7,010**
Total	**5,000,078**	**114.95**	**4,292,000**	

[1] On January 25, 2021, our Board of Directors authorized the repurchase of up to $7.5 billion of shares of our common stock. There were 574,685 and 133,393 shares withheld in February and March, respectively, to cover taxes on restricted stock units whose restrictions have lapsed. 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

The following exhibits are incorporated by reference or filed herewith. References to (i) the "2003 Form 10-K" is to the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 5, 2004 and (ii) the "2020 Form 10-K" are to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed on February 25, 2021.

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 May 1, 2020 (incorporated by reference to Exhibit 3.3 of the Current Report on Form 8-K, filed on May 4, 2020).
3.3.1	Certificate of Designations of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, dated May 12, 2015 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on May 14, 2015).
3.3.2	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series G, dated July 28, 2016 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on July 29, 2016).
3.3.3	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series H, dated November 28, 2016 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on November 29, 2016).
3.3.4	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series I, dated September 10, 2019 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on September 11, 2019).
3.3.5	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series J, dated January 30, 2020 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on January 31, 2020).
3.3.6	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series K, dated September 16, 2020 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on September 17, 2020).
3.3.7	Certificate of Designations of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series L, dated May 3, 2021 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on May 4, 2021).
4.1.1	Specimen certificate representing the common stock of Capital One Financial Corporation (incorporated by reference to Exhibit 4.1 of the 2003 Form 10-K).
4.1.2	Warrant Agreement, dated December 3, 2009, between Capital One Financial Corporation and Computershare Trust Company, N.A. (incorporated by reference to the Exhibit 4.1 of the Form 8-A, filed on December 4, 2009).
4.1.3	Deposit Agreement, dated August 20, 2012 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K, filed on August 20, 2012).
4.2	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 Performance Unit Award Agreements granted to our executive officers, including the Chief Executive Officer, under the Fifth Amended and Restated 2004 Stock Incentive Plan on February 4, 2021 (incorporated by reference to Exhibit 10.2.25 of the 2020 Form 10-K).
10.2+	Form of Restricted Stock Unit Award Agreements granted to our executive officers, including the Chief Executive Officer, under the Fifth Amended and Restated 2004 Stock Incentive Plan on February 4, 2021 (incorporated by reference to Exhibit 10.2.26 of the 2020 Form 10-K).
10.3+	Form of Total Shareholder Return Performance Unit Award Agreement granted to our Chief Executive Officer under the Fifth Amended and Restated 2004 Stock Incentive Plan on February 4, 2021 (incorporated by reference to Exhibit 10.2.27 of the 2020 Form 10-K).
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 March 31, 2021, 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: May 7, 2021

By: /s/ ANDREW M. YOUNG

Andrew M. Young
Chief Financial Officer

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 March 31, 2021 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:	May 7, 2021	By:	/s/ RICHARD D. FAIRBANK
			Richard D. Fairbank Chair, Chief Executive Officer and President

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 March 31, 2021 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:	May 7, 2021	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, Chief Executive Officer and President 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 March 31, 2021 (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:	May 7, 2021	By:	/s/ RICHARD D. FAIRBANK
			Richard D. Fairbank Chair, Chief Executive Officer and President

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 March 31, 2021 (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: May 7, 2021

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.