



## **Second Quarter 2023 Results**

**July 20, 2023**

# Forward-Looking Statements



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You should carefully consider the factors referred to above in evaluating these forward-looking statements. All information in these slides is based on the consolidated results of Capital One, unless otherwise noted. This presentation includes certain non-GAAP financial measures as defined by SEC rules. These non-GAAP financial measures may be useful to investors but should not be viewed in isolation from, or as a substitute for, GAAP results, nor are they necessarily comparably to non-GAAP measures that may be presented by other companies. A reconciliation of any non-GAAP financial measures included in this presentation to the comparative GAAP measure can be found in Capital One's Current Report on Form 8-K filed with the SEC on July 20, 2023, available on its website at [www.capitalone.com](http://www.capitalone.com) under "Investors."

# Q2 2023 Company Highlights<sup>(1)</sup>



- Net income of \$1.4 billion, or \$3.52 per diluted common share
- Pre-provision earnings<sup>(2)</sup> increased 7% to \$4.2 billion
- Provision for credit losses of \$2.5 billion
- Efficiency ratio of 53.20%
- Operating efficiency ratio of 43.36%
- Common equity Tier 1 capital ratio under Basel III Standardized Approach of 12.7% at June 30, 2023
- Period-end loans held for investment increased 1% or \$2.5 billion to \$311.3 billion
- Average loans held for investment increased 1% or \$1.9 billion to \$309.7 billion
- Period-end total deposits decreased \$6.1 billion to \$343.7 billion
  - Period-end insured deposits of \$272.2 billion, 79% of total deposits
- Average total deposits increased \$3.6 billion to \$343.7 billion

<sup>(1)</sup> All comparisons are for the second quarter of 2023 compared with the first quarter of 2023 unless otherwise noted. Regulatory capital metrics and capital ratios as of June 30, 2023 are preliminary and therefore subject to change.

<sup>(2)</sup> Pre-provision earnings is a non-GAAP metric calculated based on total net revenue less non-interest expense for the period. Management believes that this financial metric is useful in assessing the ability of a lending institution to generate income in excess of its provision for credit losses. See appendix slides 15 - 16 for the reconciliation of non-GAAP measures to our reported results.

# Allowance for Credit Losses

*(Dollars in millions)*

	Credit Card	Consumer Banking	Commercial Banking	Total
<b>Allowance for credit losses:</b>				
Balance as of March 31, 2023	\$ 10,410	\$ 2,205	\$ 1,703	\$ 14,318
Charge-offs	(1,868)	(526)	(378)	(2,772)
Recoveries	340	247	—	587
Net charge-offs	(1,528)	(279)	(378)	(2,185)
Provision for credit losses <sup>(1)(2)</sup>	2,084	259	160	2,503
Allowance build (release) for credit losses <sup>(1)</sup>	556	(20)	(218)	318
Other changes <sup>(3)</sup>	10	—	—	10
Balance as of June 30, 2023	\$ 10,976	\$ 2,185	\$ 1,485	\$ 14,646
Allowance coverage ratio as of June 30, 2023	7.70%	2.83%	1.62%	4.70%

## Second Quarter 2023 Highlights

- Allowance build of \$318 million primarily driven by growth in Domestic Credit Card loans, partially offset by a decrease in Commercial Banking from moving a portfolio of Office Real Estate loans to HFS
- Allowance coverage ratio of 4.70% at June 30, 2023, compared to 4.64% at March 31, 2023

<sup>(1)</sup> Does not include \$(14) million of provision (benefit) related to unfunded lending commitments that is recorded in other liabilities in Commercial Banking.

<sup>(2)</sup> Does not include \$1 million of provision related to available for sale securities.

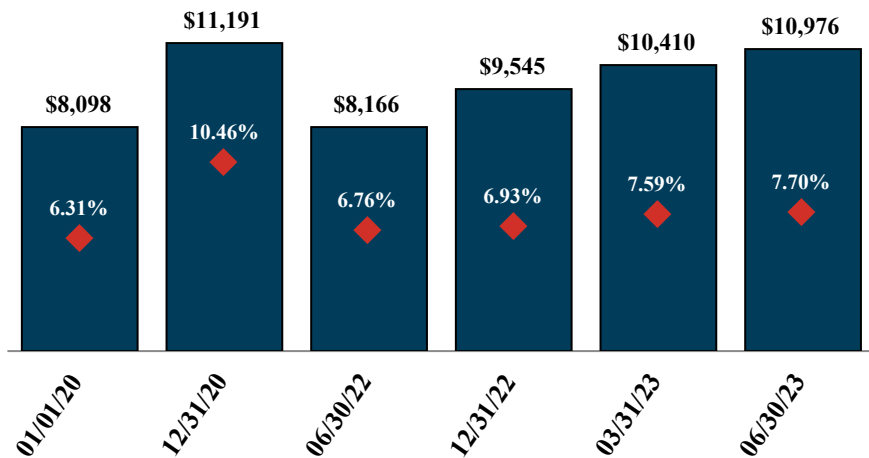
<sup>(3)</sup> Primarily represents foreign currency translation adjustments.

# Allowance Coverage Ratios by Segment

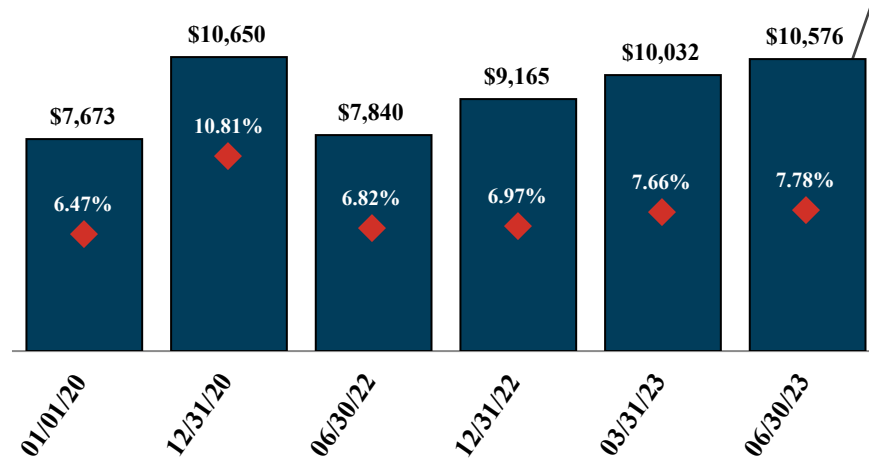


- Allowance for credit losses (\$M)
- ◆ Allowance Coverage Ratio

### Credit Card

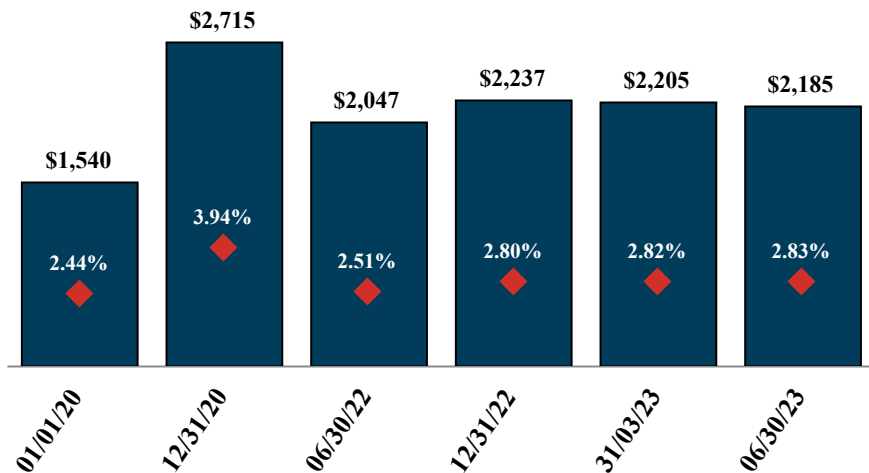


### Domestic Card

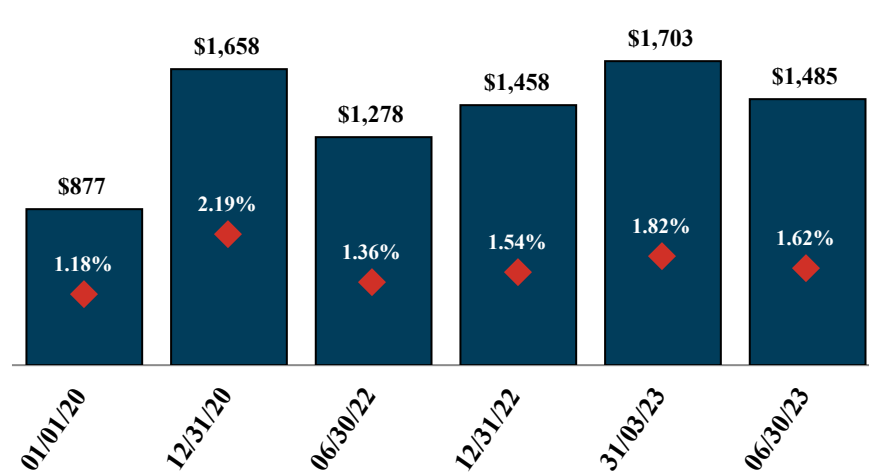


Branded Card 8.8%

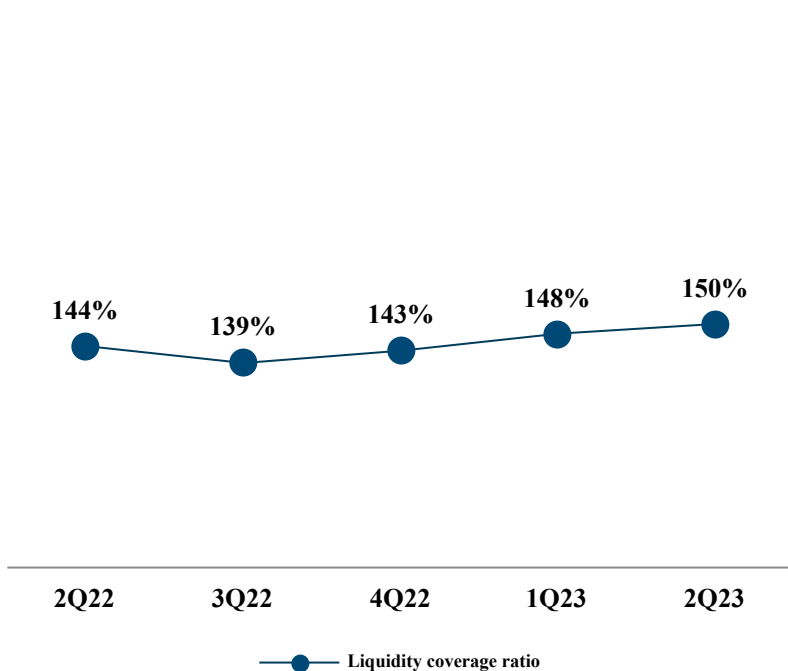
### Consumer Banking



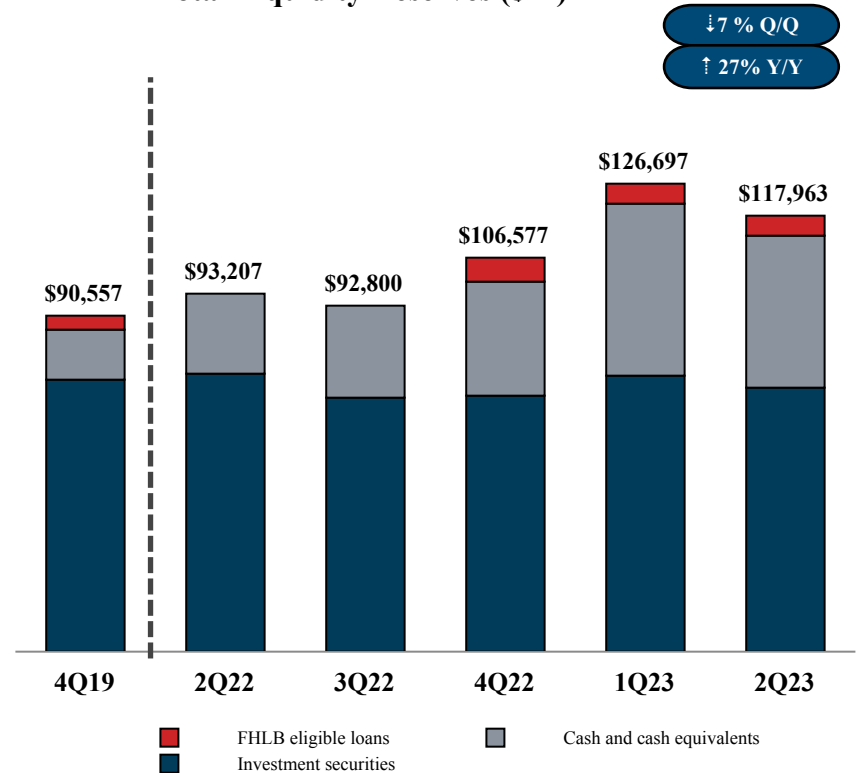
### Commercial Banking



**Average Quarterly Liquidity Coverage Ratio ("LCR")**



**Total Liquidity Reserves (\$M)<sup>(1)</sup>**



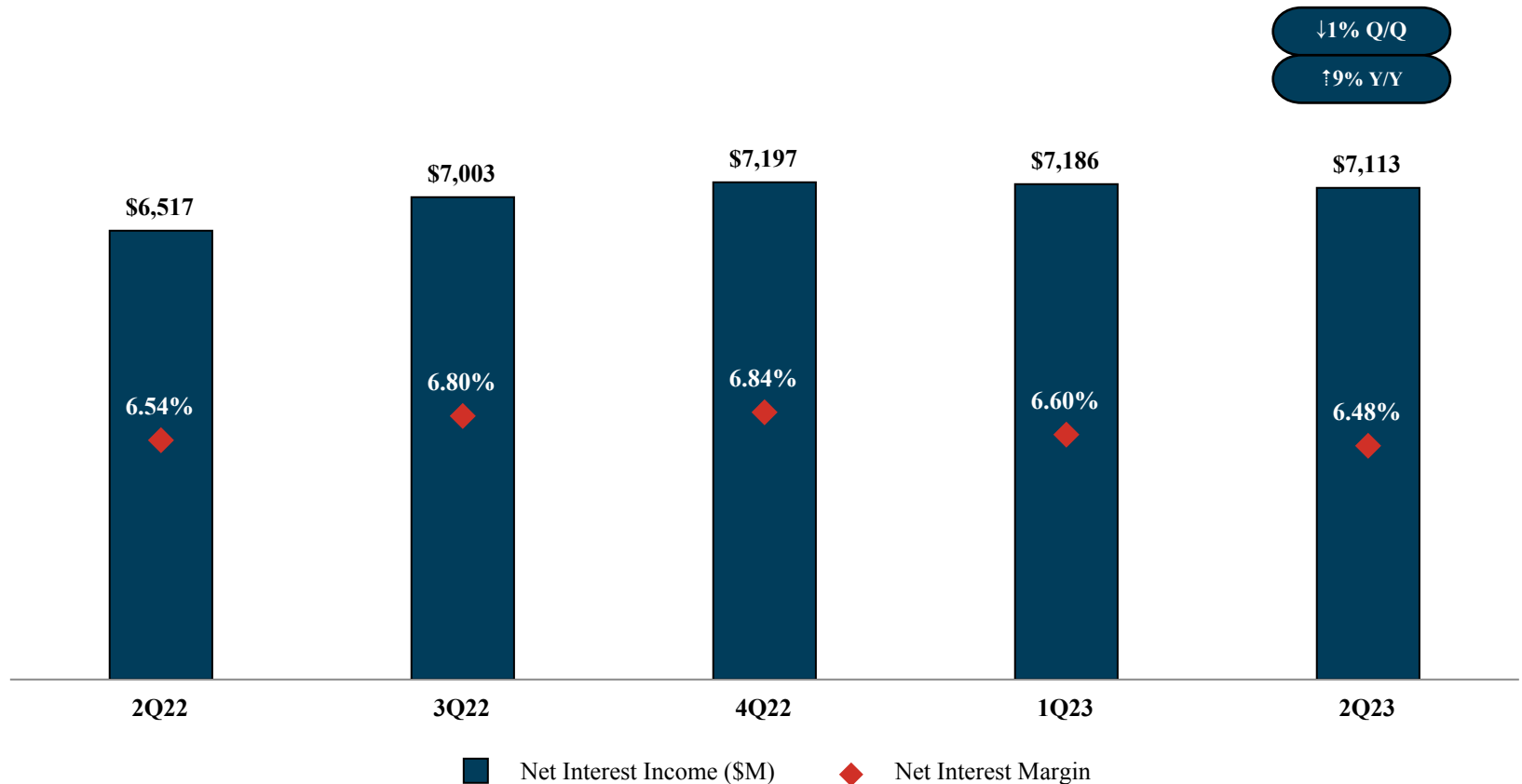
## Second Quarter 2023 Highlights

- Average quarterly Liquidity Coverage Ratio of 150%
- Average quarterly Net Stable Funding Ratio (“NSFR”) of 134%
- Total liquidity reserves of \$118.0 billion as of June 30, 2023
  - \$41.6 billion in cash and cash equivalents

Note: The 2Q23 LCR and NSFR are preliminary and therefore subject to change.

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

# Net Interest Income and Net Interest Margin

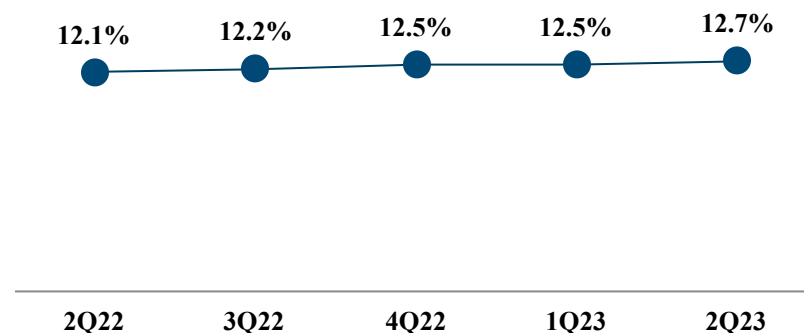


## Second Quarter 2023 Highlights

- Net interest margin decreased 12 basis points quarter-over-quarter driven by higher rates paid on interest-bearing deposits partially offset by higher asset yields and higher day count
- Net interest margin decreased 6 basis points year-over-year driven by higher rates paid on interest-bearing deposits partially offset by higher asset yields and growth in our Credit Card loan portfolio

<i>(Dollars in millions)</i>	Amount	Ratio
Common equity Tier 1 (CET1) as of March 31, 2023	\$ 44,634	12.5%
Q2 2023 Net income	1,431	40 bps
Common & Preferred Stock Dividends	(290)	(8)bps
Share Repurchases	(150)	(4)bps
Other quarterly activities <sup>(1)</sup>	(36)	(1)bps
Risk Weighted Assets changes	N/A	(12)bps
CET1 as of June 30, 2023	\$ 45,589	12.7%

## Common Equity Tier 1 Capital Ratio



## Second Quarter 2023 Highlights

- CET1 capital ratio of 12.7% at June 30, 2023
- Preliminary Stress Capital Buffer of 4.8% effective October 1, 2023
- Repurchased 1.5 million common shares for \$150 million in the second quarter of 2023; YTD repurchases of \$300 million

Note: Regulatory capital metrics and capital ratios as of June 30, 2023 are preliminary and therefore subject to change.

<sup>(1)</sup> Includes the impacts of acquired goodwill, net of deferred taxes, and net issuances of employee stock.



# Financial Summary—Business Segment Results



<i>(Dollars in millions)</i>	Three Months Ended June 30, 2023				
	Credit Card	Consumer Banking	Commercial Banking	Other	Total
Net interest income (loss)	\$ 4,727	\$ 2,269	\$ 632	\$ (515)	\$ 7,113
Non-interest income (loss)	1,499	149	257	(6)	1,899
Total net revenue (loss)	6,226	2,418	889	(521)	9,012
Provision for credit losses	2,084	259	146	1	2,490
Non-interest expense	3,020	1,231	482	61	4,794
Income (loss) from continuing operations before income taxes	1,122	928	261	(583)	1,728
Income tax provision (benefit)	265	219	61	(248)	297
Income (loss) from continuing operations, net of tax	\$ 857	\$ 709	\$ 200	\$ (335)	\$ 1,431

	2023 Q2 vs.				
	2023	2023	2022	2023	2022
	Q2	Q1	Q2	Q1	Q2
<i>(Dollars in millions, except as noted)</i>					
<b>Earnings:</b>					
Net interest income	\$ 4,727	\$ 4,657	\$ 3,899	2%	21%
Non-interest income	1,499	1,363	1,410	10	6
Total net revenue	6,226	6,020	5,309	3	17
Provision for credit losses	2,084	2,261	581	(8)	**
Non-interest expense	3,020	3,038	2,771	(1)	9
Pre-tax income	1,122	721	1,957	56	(43)
<b>Selected performance metrics:</b>					
Period-end loans held for investment	\$ 142,491	\$ 137,142	\$ 120,880	4%	18%
Average loans held for investment	138,762	134,670	115,835	3	20
Total net revenue margin	17.95%	17.88%	18.33%	7 bps	(38)bps
Net charge-off rate	4.41	4.06	2.34	35	207
Purchase volume	\$ 157,937	\$ 141,658	\$ 148,491	11%	6%

## Second Quarter 2023 Highlights

- Ending loans held for investment up \$21.6 billion, or 18%, year-over-year; average loans held for investment up \$22.9 billion, or 20%, year-over-year
- Purchase volume up 6% year-over-year
- Revenue up \$917 million, or 17%, year-over-year
- Revenue margin of 17.95%
- Non-interest expense up \$249 million, or 9%, year-over-year
- Provision for credit losses up \$1.5 billion year-over-year
- Net charge-off rate of 4.41%

# Domestic Card



	2023 Q2 vs.				
	2023	2023	2022	2023	2022
<i>(Dollars in millions, except as noted)</i>	Q2	Q1	Q2	Q1	Q2
<b>Earnings:</b>					
Net interest income	\$ 4,453	\$ 4,390	\$ 3,651	1%	22%
Non-interest income	1,431	1,298	1,340	10	7
Total net revenue	5,884	5,688	4,991	3	18
Provision for credit losses	1,995	2,174	494	(8)	**
Non-interest expense	2,805	2,847	2,594	(1)	8
Pre-tax income	1,084	667	1,903	63	(43)
<b>Selected performance metrics:</b>					
Period-end loans held for investment	\$ 135,975	\$ 130,980	\$ 115,004	4%	18%
Average loans held for investment	132,505	128,562	109,962	3	21
Total net revenue margin	17.76%	17.70%	18.16%	6 bps	(40)bps
Net charge-off rate	4.38	4.04	2.26	34	212
30+ day performing delinquency rate	3.74	3.66	2.35	8	139
Purchase volume	\$ 154,184	\$ 138,310	\$ 144,668	11%	7%

## Second Quarter 2023 Highlights

- Ending loans held for investment up \$21.0 billion, or 18%, year-over-year; average loans held for investment up \$22.5 billion, or 21%, year-over-year
- Purchase volume up 7% year-over-year
- Revenue up \$893 million, or 18%, year-over-year
- Revenue margin of 17.76%
- Non-interest expense up \$211 million, or 8%, year-over-year
- Provision for credit losses up \$1.5 billion year-over-year
- Net charge-off rate of 4.38%

\*\* Not meaningful.

*(Dollars in millions, except as noted)*

	2023		2022	2023 Q2 vs.	
	Q2	Q1	Q2	Q1	Q2
<b>Earnings:</b>					
Net interest income	\$ 2,269	\$ 2,360	\$ 2,147	(4)%	6%
Non-interest income	149	135	96	10	55
Total net revenue	2,418	2,495	2,243	(3)	8
Provision for credit losses	259	275	281	(6)	(8)
Non-interest expense	1,231	1,283	1,286	(4)	(4)
Pre-tax income	928	937	676	(1)	37

**Selected performance metrics:**

Period-end loans held for investment	\$ 77,280	\$ 78,151	\$ 81,531	(1)%	(5)%
Average loans held for investment	77,698	78,994	80,981	(2)	(4)
Auto loan originations	7,160	6,211	10,328	15	(31)
Period-end deposits	286,174	291,163	255,904	(2)	12
Average deposits	285,647	278,772	254,336	2	12
Average deposits interest rate	2.46%	1.96%	0.38%	50 bps	208 bps
Net charge-off rate	1.43	1.56	0.67	(13)	76

## Second Quarter 2023 Highlights

- Ending loans held for investment down \$4.3 billion, or 5%, year-over-year; average loans held for investment down \$3.3 billion, or 4%, year-over-year
- Ending deposits up \$30.3 billion, or 12%, year-over-year
- Auto loan originations down \$3.2 billion, or 31%, year-over-year
- Revenue up \$175 million, or 8%, year-over-year
- Non-interest expense down \$55 million, or 4%, year-over-year
- Provision for credit losses down \$22 million year-over-year
- Net charge-off rate of 1.43%

# Commercial Banking



	2023		2022	2023 Q2 vs.	
	Q2	Q1	Q2	2023 Q1	2022 Q2
<i>(Dollars in millions, except as noted)</i>					
<b>Earnings:</b>					
Net interest income	\$ 632	\$ 648	\$ 635	(2)%	—
Non-interest income	257	212	272	21	(6)%
Total net revenue	889	860	907	3	(2)
Provision for credit losses	146	259	222	(44)	(34)
Non-interest expense	482	530	485	(9)	(1)
Pre-tax income	261	71	200	**	31
<b>Selected performance metrics:</b>					
Period-end loans held for investment	\$ 91,552	\$ 93,543	\$ 93,973	(2)%	(3)%
Average loans held for investment	93,195	94,092	89,294	(1)	4
Period-end deposits	36,793	38,380	38,844	(4)	(5)
Average deposits	37,960	39,941	40,536	(5)	(6)
Average deposits interest rate	2.68%	2.34%	0.19%	34 bps	249 bps
Net charge-off rate	1.62	0.09	0.14	153	148
<b>Risk category as a percentage of period-end loans held for investment:<sup>(1)</sup></b>					
Criticized performing	6.73%	7.31%	5.29%	(58)bps	144 bps
Criticized nonperforming	0.89	0.79	0.70	10	19

## Second Quarter 2023 Highlights

- Ending loans held for investment down \$2.0 billion, or 2%, quarter-over-quarter; average loans held for investment down \$897 million, or 1%, quarter-over-quarter
- Ending deposits down \$1.6 billion, or 4%, quarter-over-quarter; average deposits down \$2.0 billion, or 5%, quarter-over-quarter
- Revenue up \$29 million, or 3%, quarter-over-quarter
- Non-interest expense down \$48 million, or 9%, quarter-over-quarter
- Provision for credit losses down \$113 million quarter-over-quarter
- Net charge-off rate of 1.62%
- Criticized performing loan rate of 6.73% and criticized nonperforming loan rate of 0.89%

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

\*\* Not meaningful.

# Appendix

# Reconciliation of Non-GAAP Measures



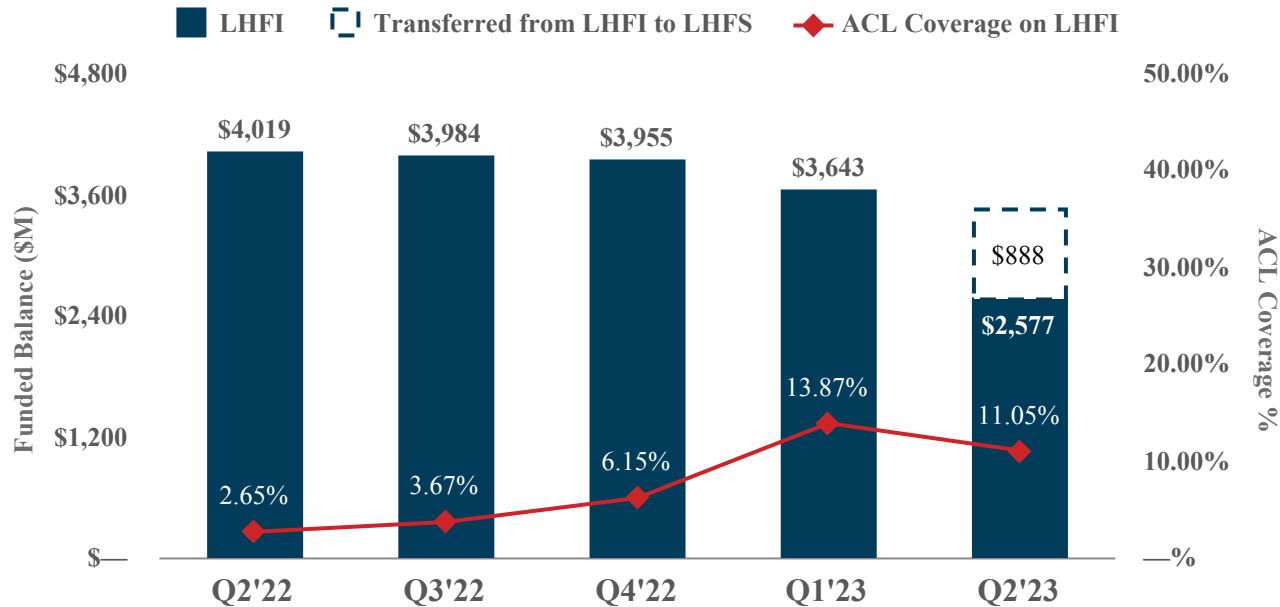
	2023	2023	2022	2022	2022	Six Months Ended June 30,	
<i>(Dollars in millions, except per share data and as noted)</i>	Q2	Q1	Q4	Q3	Q2	2023	2022
<b>Adjusted diluted earnings per share ("EPS"):</b>							
Net income available to common stockholders (GAAP)	\$ 1,351	\$ 887	\$ 1,161	\$ 1,616	\$ 1,949	\$ 2,238	\$ 4,267
Insurance recoveries and legal reserve activity	—	—	(177)	—	—	—	—
Restructuring charges	—	—	72	—	—	—	—
Adjusted net income available to common stockholders before income tax impacts (non-GAAP)	1,351	887	1,056	1,616	1,949	2,238	4,267
Income tax impacts	—	—	25	—	—	—	—
Adjusted net income available to common stockholders (non-GAAP)	<u>\$ 1,351</u>	<u>\$ 887</u>	<u>\$ 1,081</u>	<u>\$ 1,616</u>	<u>\$ 1,949</u>	<u>\$ 2,238</u>	<u>\$ 4,267</u>
Diluted weighted-average common shares outstanding (in millions) (GAAP)	383.7	383.8	383.7	384.6	392.6	383.8	402.3
Diluted EPS (GAAP)	\$ 3.52	\$ 2.31	\$ 3.03	\$ 4.20	\$ 4.96	\$ 5.83	\$ 10.61
Impact of adjustments noted above	—	—	(0.21)	—	—	—	—
Adjusted diluted EPS (non-GAAP)	<u>\$ 3.52</u>	<u>\$ 2.31</u>	<u>\$ 2.82</u>	<u>\$ 4.20</u>	<u>\$ 4.96</u>	<u>\$ 5.83</u>	<u>\$ 10.61</u>
<b>Adjusted efficiency ratio:</b>							
Non-interest expense (GAAP)	\$ 4,794	\$ 4,945	\$ 5,080	\$ 4,949	\$ 4,583	\$ 9,739	\$ 9,134
Insurance recoveries and legal reserve activity	—	—	177	—	—	—	—
Restructuring charges	—	—	(72)	—	—	—	—
Adjusted non-interest expense (non-GAAP)	<u>\$ 4,794</u>	<u>\$ 4,945</u>	<u>\$ 5,185</u>	<u>\$ 4,949</u>	<u>\$ 4,583</u>	<u>\$ 9,739</u>	<u>\$ 9,134</u>
Total net revenue (GAAP)	\$ 9,012	\$ 8,903	\$ 9,040	\$ 8,805	\$ 8,232	\$ 17,915	\$ 16,405
Efficiency ratio (GAAP)	53.20%	55.54%	56.19%	56.21%	55.67%	54.36%	55.68%
Impact of adjustments noted above	—	—	117bps	—	—	—	—
Adjusted efficiency ratio (non-GAAP)	<u>53.20%</u>	<u>55.54%</u>	<u>57.36%</u>	<u>56.21%</u>	<u>55.67%</u>	<u>54.36%</u>	<u>55.68%</u>
<b>Adjusted operating efficiency ratio:</b>							
Operating expense (GAAP)	\$ 3,908	\$ 4,048	\$ 3,962	\$ 3,971	\$ 3,580	\$ 7,956	\$ 7,213
Legal reserve activity, including insurance recoveries	—	—	177	—	—	—	—
Restructuring charges	—	—	(72)	—	—	—	—
Adjusted operating expense (non-GAAP)	<u>\$ 3,908</u>	<u>\$ 4,048</u>	<u>\$ 4,067</u>	<u>\$ 3,971</u>	<u>\$ 3,580</u>	<u>\$ 7,956</u>	<u>\$ 7,213</u>

# Reconciliation of Non-GAAP Measures



<i>(Dollars in millions)</i>	2023	2023	2022	2022	2022	Six Months Ended June 30,	
	Q2	Q1	Q4	Q3	Q2	2023	2022
Total net revenue (GAAP)	\$ 9,012	\$ 8,903	\$ 9,040	\$ 8,805	\$ 8,232	\$ 17,915	\$ 16,405
Operating efficiency ratio (GAAP)	43.36%	45.47%	43.83%	45.10%	43.49%	44.41%	43.97%
Impact of adjustments noted above	—	—	116 bps	—	—	—	—
<b>Adjusted operating efficiency ratio (non-GAAP)</b>	<b>43.36%</b>	<b>45.47%</b>	<b>44.99%</b>	<b>45.10%</b>	<b>43.49%</b>	<b>44.41%</b>	<b>43.97%</b>
<b>Pre- Provision Earnings</b>							
Total net revenue	\$ 9,012	\$ 8,903	\$ 9,040	\$ 8,805	\$ 8,232		
Non-interest expense	(4,794)	(4,945)	(5,080)	(4,949)	(4,583)		
Pre-provision earnings	\$ 4,218	\$ 3,958	\$ 3,960	\$ 3,856	\$ 3,649		





<b>Annualized Net charge-off rate for LHF<sup>(1)</sup></b>	— %	— %	0.37 %	1.84 %	46.38 %
<b>Total criticized rate for LHF<sup>(1)</sup></b>	26.0 %	27.8 %	35.40 %	43.30 %	32.80 %
<b>Nonperforming loan rate for LHF<sup>(1)</sup></b>	3.40 %	2.60 %	3.00 %	5.50 %	11.30 %
<b>Office Real Estate LHF<sup>(1)</sup> as a % of Total LHF<sup>(1)</sup></b>	1.4 %	1.3 %	1.3 %	1.2 %	0.8 %

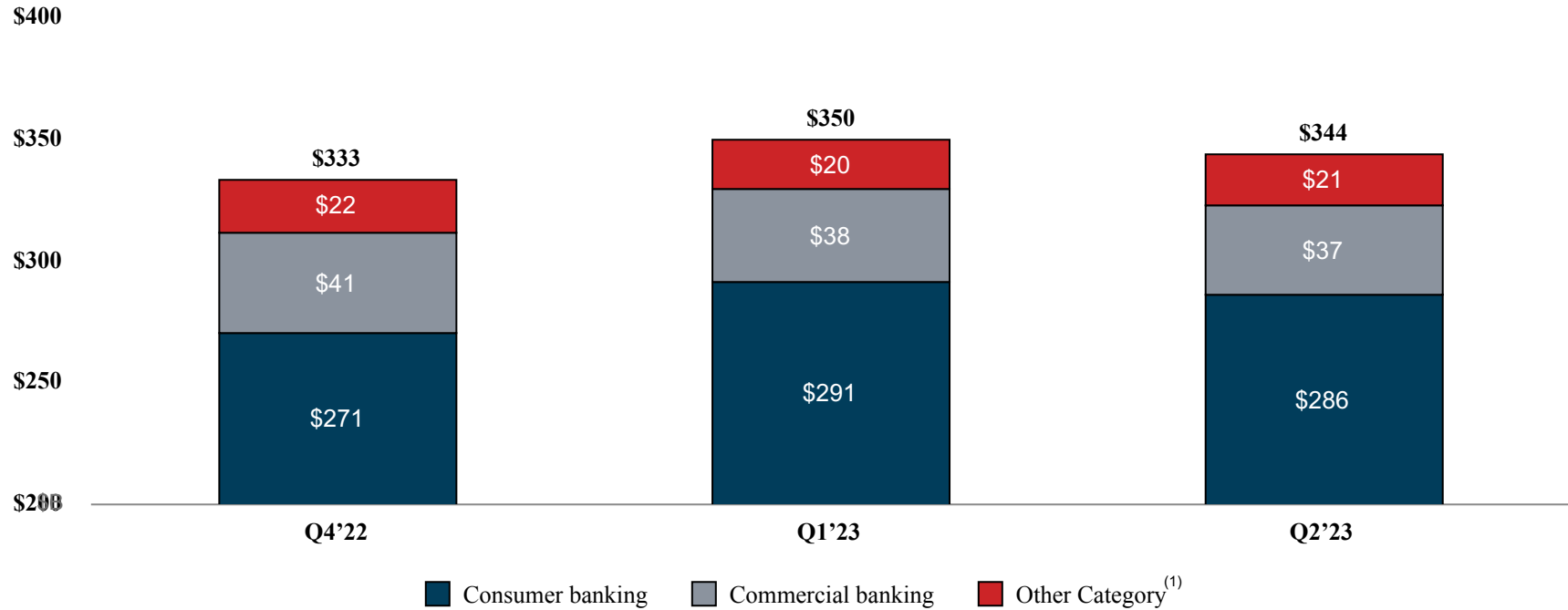
## Second Quarter 2023 Highlights

- We reclassified \$888 million in Office Real Estate loans from Loans Held for Investment (“LHF<sup>(1)</sup>”) to Loans Held for Sale (“LHFS”); we expect any seller financing associated with a potential transaction to be reflected in LHF<sup>(1)</sup> upon closing
- We recognized \$361 million in Office net charge-offs, including the impacts of the reclassification to LHFS
  - The LHFS-related charge-offs had been substantially reserved for as of March 31, 2023
- Commercial Office represented 2.8% of our Commercial Banking LHF<sup>(1)</sup> portfolio and 0.8% of total LHF<sup>(1)</sup>

Note: Excludes loans in our Healthcare Real Estate business secured by Medical Office properties and loans to office real estate investment trusts and real estate investment funds

<sup>(1)</sup> Net charge-off rate is calculated based on annualized net charge-offs for the period divided by average loans held for investment for the period.

## Period-end Deposits by Segment



## Second Quarter 2023 Highlights

- Period-end insured deposits were \$272.2 billion or 79% of total deposits

<sup>(1)</sup> Includes brokered deposits of \$19.7 billion, \$19.2 billion and \$20.6 billion as of June 30, 2023, March 31, 2023 and December 31, 2022, respectively.