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 September 30, 2024
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______
Commission File No. 001-13300

CAPITAL ONE FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**54-1719854**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1680 Capital One Drive, **McLean, Virginia**	**22102**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 720-1000
(Not Applicable)
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock (par value $.01 per share)	COF	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series I	COF PRI	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series J	COF PRJ	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series K	COF PRK	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series L	COF PRL	New York Stock Exchange
Depositary Shares, Each Representing a 1/40th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series N	COF PRN	New York Stock Exchange
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 September 30, 2024, there were 381,510,336 shares of the registrant's Common Stock outstanding.

TABLE OF CONTENTS

INDEX OF MD&A AND SUPPLEMENTAL TABLE

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 "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 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 2023 Annual Report on Form 10-K ("2023 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 September 30, 2024 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 2023 Form 10-K.

INTRODUCTION

Capital One Financial Corporation, a Delaware corporation established in 1994 and headquartered in McLean, Virginia, is a diversified financial services holding company with banking and non-banking subsidiaries. Capital One Financial Corporation and its subsidiaries (the "Company" or "Capital One") offer a broad array of financial products and services to consumers, small businesses and commercial clients through digital channels, branch locations, cafés and other distribution channels.

As of September 30, 2024, Capital One Financial Corporation's principal operating subsidiary was Capital One, National Association ("CONA"). The Company is hereafter collectively referred to as "we," "us" or "our." CONA is referred to as the "Bank."

Our consolidated total net revenues are derived primarily from lending to consumer and commercial customers net of funding costs associated with our 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 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 business segment are included in the Other category, such as the management of our corporate investment portfolio and asset/liability positions performed by our centralized Corporate Treasury group and any residual tax expense or benefit beyond what is assessed to our business segments in order to arrive at the consolidated effective tax rate. The Other category also includes unallocated corporate 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 and integration expenses related to the agreement to acquire Discover.

- *Credit Card:* Consists of our domestic consumer and small business card lending, and international card businesses in the United Kingdom ("U.K.") and Canada.
- *Consumer Banking:* Consists of our deposit gathering and lending activities for consumers and small businesses, and national auto lending.
- *Commercial Banking:* Consists of our lending, deposit gathering, capital markets and treasury management services to commercial real estate and commercial and industrial customers. Our customers typically include companies with annual revenues between $20 million and $2 billion.

Business Developments

We regularly explore and evaluate opportunities to acquire financial products and services 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 of our assets, branches, partnership agreements or lines of business.

Agreement to Acquire Discover

On February 19, 2024, the Company entered into an agreement and plan of merger (the “Merger Agreement”), by and among Capital One, Discover Financial Services, a Delaware corporation (“Discover”) and Vega Merger Sub, Inc., a Delaware corporation and a direct, wholly owned subsidiary of the Company (“Merger Sub”), pursuant to which (a) Merger Sub will merge with and into Discover, with Discover as the surviving entity in the merger (the “Merger”); (b) immediately following the Merger, Discover, as the surviving entity, will merge with and into Capital One, with Capital One as the surviving entity in the second-step merger (the “Second Step Merger”); and (c) immediately following the Second Step Merger, Discover Bank, a Delaware-chartered and wholly owned subsidiary of Discover, will merge with and into CONA, with CONA as the surviving entity in the merger (the “CONA Bank Merger,” and collectively with the Merger and the Second Step Merger, the “Transaction”). The Merger Agreement was unanimously approved by the Boards of Directors of each of Capital One and Discover.

At the effective time of the Merger, each share of common stock of Discover outstanding immediately prior to the effective time of the Merger, other than certain shares held by Discover or Capital One, will be converted into the right to receive 1.0192 shares of common stock of Capital One. Holders of Discover common stock will receive cash in lieu of fractional shares. At the effective time of the Second Step Merger, each share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, of Discover, and each share of 6.125% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series D, of Discover, in each case outstanding immediately prior to the effective time of the Second Step Merger, will be converted into the right to receive a share of newly created series of preferred stock of Capital One having terms that are not materially less favorable than the applicable series of Discover preferred stock. The closing of the Transaction is subject to the satisfaction of customary closing conditions, including receipt of required regulatory approvals and approval by the stockholders of each of Capital One and Discover.

Walmart Program Agreement Termination

On May 21, 2024, our credit card program agreement with Walmart terminated (“Walmart Program Termination”). Pursuant to terms of the termination, Capital One retained ownership and servicing of the existing credit card portfolio of approximately $8.5 billion of loans. In the third quarter of 2024, the Company began converting eligible customers and integrating the accounts into Capital One branded card products, which may result in elevated operational and performance uncertainties as this portfolio converts to branded products.

Consumer Financial Protection Bureau Final Rule

On March 5, 2024, the Consumer Financial Protection Bureau (“CFPB”) issued a final rule amending Regulation Z that, if it goes into effect as currently issued, would significantly lower the safe harbor amount for past due fees that a large credit card issuer, including the Bank, can charge on consumer credit card accounts. The final rule is currently stayed as a result of ongoing litigation.

The final rule, if it goes into effect as currently issued, would have a significant impact on our revenue, as well as potentially significant marketplace effects, including effects on competition, pricing, consumer behaviors, volumes, and credit. In response to the final rule, we have developed a number of mitigating actions and some of these mitigating actions have been implemented. Other actions may be implemented as a result of the final rule.

For more information on risks related to this rule, see the risk factors set forth under “Part I—Item 1A. Risk Factors” in our 2023 Form 10-K.

SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data and performance from our results of operations for the third quarter and first nine months of 2024 and 2023 and selected comparative balance sheet data as of September 30, 2024 and December 31, 2023. 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. These non-GAAP measures should not be viewed as a substitute for reported results determined in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), nor are they necessarily comparable to non-GAAP measures that may be presented by other companies.

Table 1: Consolidated Financial Highlights

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions, except per share data and as noted)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Income statement						
Net interest income	**$ 8,076**	$ 7,423	9%	**$ 23,110**	$ 21,722	6%
Non-interest income	**1,938**	1,943	—	**5,812**	5,559	5
Total net revenue	**10,014**	9,366	7	**28,922**	27,281	6
Provision for credit losses	**2,482**	2,284	9	**9,074**	7,569	20
Non-interest expense:						
Marketing	**1,113**	972	15	**3,187**	2,755	16
Operating expense	**4,201**	3,888	8	**12,210**	11,844	3
Total non-interest expense	**5,314**	4,860	9	**15,397**	14,599	5
Income from continuing operations before income taxes	**2,218**	2,222	—	**4,451**	5,113	(13)
Income tax provision	**441**	432	2	**797**	932	(14)
Net income	**1,777**	1,790	(1)	**3,654**	4,181	(13)
Dividends and undistributed earnings allocated to participating securities	**(28)**	(28)	—	**(60)**	(67)	(10)
Preferred stock dividends	**(57)**	(57)	—	**(171)**	(171)	—
Net income available to common stockholders	**$ 1,692**	$ 1,705	(1)	**$ 3,423**	$ 3,943	(13)
Common share statistics						
Basic earnings per common share:						
Net income per basic common share	**$ 4.42**	$ 4.46	(1)%	**$ 8.94**	$ 10.31	(13)%
Diluted earnings per common share:						
Net income per diluted common share	**$ 4.41**	$ 4.45	(1)%	**$ 8.92**	$ 10.28	(13)%
Weighted-average common shares outstanding (in millions):						
Basic	**383.0**	382.5	—	**382.8**	382.7	—
Diluted	**383.7**	383.3	—	**383.7**	383.6	—
Common shares outstanding (period-end, in millions)	**381.5**	381.0	—	**381.5**	381.0	—
Dividends declared and paid per common share	**$ 0.60**	$ 0.60	—	**$ 1.80**	$ 1.80	—
Tangible book value per common share (period-end)[1]	**112.36**	87.97	28%	**112.36**	87.97	28%

(Dollars in millions, except per share data and as noted)	Three Months Ended September 30, 2024	2023	Change	Nine Months Ended September 30, 2024	2023	Change
Balance sheet (average balances)						
Loans held for investment	**$ 318,255**	$ 312,759	2%	**$ 315,927**	$ 310,075	2%
Interest-earning assets	**454,484**	443,532	2	**451,078**	439,321	3
Total assets	**481,219**	469,860	2	**477,816**	466,279	2
Interest-bearing deposits	**324,509**	316,032	3	**321,856**	312,702	3
Total deposits	**351,125**	345,013	2	**348,765**	342,956	2
Borrowings	**48,274**	49,736	(3)	**49,194**	48,746	1
Common equity	**56,443**	50,166	13	**54,293**	50,202	8
Total stockholders' equity	**61,289**	55,012	11	**59,139**	55,048	7
Selected performance metrics						
Purchase volume	**$ 166,203**	$ 158,640	5%	**$ 481,517**	$ 458,235	5%
Total net revenue margin[2]	**8.81%**	8.45%	36bps	**8.55%**	8.28%	27bps
Net interest margin	**7.11**	6.69	42	**6.83**	6.59	24
Return on average assets[3]	**1.48**	1.52	(4)	**1.02**	1.20	(18)
Return on average tangible assets[4]	**1.53**	1.58	(5)	**1.05**	1.24	(19)
Return on average common equity[5]	**11.99**	13.59	(160)	**8.41**	10.47	(206)
Return on average tangible common equity[6]	**16.42**	19.59	(317)	**11.69**	15.01	(332)
Equity-to-assets ratio[7]	**12.74**	11.71	103	**12.38**	11.81	57
Efficiency ratio[8]	**53.07**	51.89	118	**53.24**	53.51	(27)
Operating efficiency ratio[9]	**41.95**	41.51	44	**42.22**	43.41	(119)
Adjusted operating efficiency ratio[10]	**41.41**	41.51	(10)	**41.71**	43.41	(170)
Effective income tax rate from continuing operations	**19.9**	19.4	50	**17.9**	18.2	(30)
Net charge-offs	**$ 2,604**	$ 1,999	30%	**$ 7,864**	$ 5,881	34%
Net charge-off rate	**3.27 %**	2.56 %	71bps	**3.32 %**	2.53 %	79bps

(Dollars in millions, except as noted)	September 30, 2024	December 31, 2023	Change
Balance sheet (period-end)			
Loans held for investment	**$ 320,243**	$ 320,472	—
Interest-earning assets	**458,189**	449,701	2%
Total assets	**486,433**	478,464	2
Interest-bearing deposits	**327,253**	320,389	2
Total deposits	**353,631**	348,413	1
Borrowings	**49,336**	49,856	(1)
Common equity	**58,080**	53,244	9
Total stockholders' equity	**62,925**	58,089	8
Credit quality metrics			
Allowance for credit losses	**$ 16,534**	$ 15,296	8%
Allowance coverage ratio	**5.16 %**	4.77 %	39bps
30+ day performing delinquency rate	**3.58**	3.71	(13)
30+ day delinquency rate	**3.89**	3.99	(10)

(Dollars in millions, except as noted)	September 30, 2024	December 31, 2023	Change
Capital ratios			
Common equity Tier 1 capital[11]	**13.6 %**	12.9 %	70bps
Tier 1 capital[11]	**14.9**	14.2	70
Total capital[11]	**16.6**	16.0	60
Tier 1 leverage[11]	**11.6**	11.2	40
Tangible common equity[12]	**9.1**	8.2	90
Supplementary leverage[11]	**9.9**	9.6	30
Other			
Employees (period end, in thousands)	**52.5**	52.0	1%

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

(5) Return on average common equity is calculated based on annualized net income (loss) available to common stockholders less annualized income (loss) from discontinued operations, net of tax, for the period, divided by average common equity. Our calculation of return on average common equity may not be comparable to similarly-titled measures reported by other companies.

(6) Return on average tangible common equity is a non-GAAP measure calculated based on annualized net income (loss) available to common stockholders less annualized income (loss) from discontinued operations, net of tax, for the period, divided by average TCE. Our calculation of return on average TCE may not be comparable to similarly-titled measures reported by other companies. See "Supplemental Table—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) Adjusted operating efficiency ratio is a non-GAAP measure. See "Supplemental Table—Table A—Reconciliation of Non-GAAP Measures" for a reconciliation of our adjusted operating efficiency ratio (non-GAAP) to our operating efficiency ratio (GAAP).

(11) Capital ratios are calculated based on the Basel III standardized approach framework. See "Capital Management" for additional information.

(12) Tangible common equity ratio is a non-GAAP measure calculated based on TCE divided by tangible assets. See "Supplemental Table—Table A—Reconciliation of Non-GAAP Measures" for the calculation of this measure and reconciliation to the comparative U.S. GAAP measure.

EXECUTIVE SUMMARY

Financial Highlights

We reported net income of $1.8 billion ($4.41 per diluted common share) on total net revenue of $10.0 billion and net income of $3.7 billion ($8.92 per diluted common share) on total net revenue of $28.9 billion for the third quarter and first nine months of 2024, respectively. In comparison, we reported net income of $1.8 billion ($4.45 per diluted common share) on total net revenue of $9.4 billion and net income of $4.2 billion ($10.28 per diluted common share) on total net revenue of $27.3 billion for the third quarter and first nine months of 2023, respectively.

Our common equity Tier 1 ("CET1") capital ratio as calculated under the Basel III standardized approach was 13.6% and12.9% as of September 30, 2024 and December 31, 2023, respectively. See "Capital Management" for additional information.

In the third quarter of 2024, we declared and paid common stock dividends of $233 million and repurchased $150 million of shares of our common stock. During the first nine months of 2024, we declared and paid common stock dividends of $705 millic and repurchased $403 million of shares of our common stock. See "Capital Management—Dividend Policy and Stock Purchases" for additional information.

Below are additional highlights of our performance in the third quarter and first nine months of 2024. These highlights are based on a comparison between the results of the third quarter and first nine months of 2024 and 2023, 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 September 30, 2024 compared to December 31, 2023. We provide a more detailed discussion of our financial performance in the sections following this "Executive Summary."

Total Company Performance

- *Earnings:*

  Our net income decreased by $13 million to $1.8 billion in the third quarter of 2024 compared to the third quarter of 2023 primarily driven by:

  - Higher provision for credit losses in the third quarter of 2024 primarily driven by higher net charge-offs, including the impacts of the elimination of loss sharing provisions due to the Walmart Program Termination, partially offset by allowance releases compared to a net allowance build in the third quarter of 2023.

  - Higher non-interest expense primarily driven by growth in our Credit Card business and increased marketing spend.

  These drivers were partially offset by:

  - Higher net-interest income primarily driven by higher average loan balances and margins in our credit card loan portfolio, including the impacts of the elimination of revenue sharing provisions due to the Walmart Program Termination.

  Our net income decreased by $527 million to $3.7 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by:

  - Higher provision for credit losses in the first nine months of 2024 primarily driven by higher net charge-offs in Domestic Card, partially offset by a lower net allowance build.

  - Higher non-interest expense primarily driven by growth in our Credit Card business and increased marketing spend.

  These drivers were partially offset by:

  - Higher net-interest income primarily driven by higher average loan balances and margins in our credit card loan portfolio, including the impacts of the elimination of revenue sharing provisions due to the Walmart Program Termination, partially offset by higher rates paid on interest-bearing deposits.

- *Loans Held for Investment:*

- ◦ Period-end loans held for investment decreased by $229 million to $320.2 billion as of September 30, 2024 from December 31, 2023 primarily driven by customer payments outpacing originations in our commercial loan portfolio, partially offset by growth in our credit card and auto loan portfolios.
- ◦ Average loans held for investment increased by $5.5 billion to $318.3 billion in the third quarter of 2024 compared to the third quarter of 2023 and increased by $5.9 billion to $315.9 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by growth in our credit card loan portfolio, partially offset by customer payments outpacing originations in our commercial loan portfolio.

- *Net Charge-Off and Delinquency Metrics:*
  - ◦ Our net charge-off rate increased by 71 basis points ("bps") to 3.27% in the third quarter of 2024 compared to the third quarter of 2023 and increased by 79 bps to 3.32% in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by higher net charge-offs in our credit card loan portfolio.
  - ◦ Our 30+ day delinquency rate decreased by 10 bps to 3.89% as of September 30, 2024 from December 31, 2023 primarily driven by lower delinquency inventories in our auto loan portfolio.
- *Allowance for Credit Losses:* Our allowance for credit losses increased by $1.2 billion to $16.5 billion and our allowance coverage ratio increased by 39 bps to 5.16% as of September 30, 2024 compared to December 31, 2023 primarily driven by an allowance build due to the Walmart Program Termination in the second quarter of 2024.

CONSOLIDATED RESULTS OF OPERATIONS

The section below provides a comparative discussion of our consolidated financial performance for the third quarter and first nine months of 2024 and 2023. We provide a discussion of our business segment results in the following section, "Business Segment Financial Performance." This section should be read together with our "Executive Summary," where we discuss trends and other factors that we expect will affect our future results of operations.

Net Interest Income

Net interest income represents the difference between interest income, including certain fees, earned on our interest-earning assets and the interest expense incurred on our interest-bearing liabilities. Our interest-earning assets include loans, investment securities and other interest-earning assets, while our interest-bearing liabilities include interest-bearing deposits, securitized debt obligations, senior and subordinated notes, other borrowings and other interest-bearing liabilities. Generally, we include in interest income any past due fees, net of reversals, 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 third quarter and first nine months of 2024 and 2023 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 September 30,					
	2024			2023		
(Dollars in millions)	Average Balance	Interest Income/ Expense	Average Yield/ Rate[1]	Average Balance	Interest Income/ Expense	Average Yield/ Rate[1]
Assets:						
Interest-earning assets:						
Loans:[2]						
Credit card	**$ 154,160**	**$ 7,578**	**19.66 %**	$ 144,053	$ 6,850	19.02 %
Consumer banking	**76,182**	**1,692**	**8.88**	77,154	1,537	7.97
Commercial banking[3]	**88,373**	**1,601**	**7.24**	92,254	1,642	7.12
Other[4]	**—**	**(324)**	**	—	(333)	**
Total loans, including loans held for sale	**318,715**	**10,547**	**13.24**	313,461	9,696	12.37
Investment securities	**90,644**	**733**	**3.24**	87,845	627	2.86
Cash equivalents and other interest-earning assets	**45,125**	**580**	**5.14**	42,226	550	5.21
Total interest-earning assets	**454,484**	**11,860**	**10.44**	443,532	10,873	9.81
Cash and due from banks	**3,815**			3,580		
Allowance for credit losses	**(16,654)**			(14,649)		
Premises and equipment, net	**4,414**			4,380		
Other assets	**35,160**			33,017		
Total assets	**$ 481,219**			$ 469,860		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing deposits	**$ 324,509**	**$ 2,945**	**3.63 %**	$ 316,032	$ 2,611	3.30 %
Securitized debt obligations	**15,833**	**234**	**5.93**	17,649	249	5.63
Senior and subordinated notes	**32,041**	**596**	**7.43**	31,522	579	7.36
Other borrowings and interest-bearing liabilities[5]	**2,389**	**9**	**1.50**	2,473	11	1.79
Total interest-bearing liabilities	**374,772**	**3,784**	**4.04**	367,676	3,450	3.75
Non-interest-bearing deposits	**26,616**			28,981		
Other liabilities	**18,542**			18,191		
Total liabilities	**419,930**			414,848		
Stockholders' equity	**61,289**			55,012		
Total liabilities and stockholders' equity	**$ 481,219**			$ 469,860		
Net interest income/spread		**$ 8,076**	**6.40**		$ 7,423	6.05
Impact of non-interest-bearing funding			**0.71**			0.64
Net interest margin[6]			**7.11 %**			6.69%

(Dollars in millions)	Nine Months Ended September 30, 2024 Average Balance	2024 Interest Income/ Expense	2024 Average Yield/ Rate(1)	2023 Average Balance	2023 Interest Income/ Expense	2023 Average Yield/ Rate(1)
Assets:						
Interest-earning assets:						
Loans:(2)						
Credit card	**$ 151,700**	**$ 21,733**	**19.10 %**	$ 139,196	$ 19,205	18.40 %
Consumer banking	**75,555**	**4,867**	**8.59**	77,944	4,484	7.67
Commercial banking(3)	**89,452**	**4,829**	**7.20**	93,517	4,710	6.72
Other(4)	**—**	**(969)**	******	—	(923)	**
Total loans, including loans held for sale	**316,707**	**30,460**	**12.82**	310,657	27,476	11.79
Investment securities	**89,580**	**2,120**	**3.16**	89,259	1,881	2.81
Cash equivalents and other interest-earning assets	**44,791**	**1,737**	**5.17**	39,405	1,436	4.86
Total interest-earning assets	**451,078**	**34,317**	**10.14**	439,321	30,793	9.35
Cash and due from banks	**3,775**			3,876		
Allowance for credit losses	**(15,783)**			(14,064)		
Premises and equipment, net	**4,396**			4,366		
Other assets	**34,350**			32,780		
Total assets	**$ 477,816**			$ 466,279		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Interest-bearing deposits	**$ 321,856**	**$ 8,631**	**3.58 %**	$ 312,702	$ 6,744	2.88%
Securitized debt obligations	**17,036**	**753**	**5.90**	17,558	696	5.28
Senior and subordinated notes	**31,744**	**1,793**	**7.53**	30,611	1,596	6.95
Other borrowings and interest-bearing liabilities(5)	**2,422**	**30**	**1.67**	2,410	35	1.94
Total interest-bearing liabilities	**373,058**	**11,207**	**4.01**	363,281	9,071	3.33
Non-interest-bearing deposits	**26,909**			30,254		
Other liabilities	**18,710**			17,696		
Total liabilities	**418,677**			411,231		
Stockholders' equity	**59,139**			55,048		
Total liabilities and stockholders' equity	**$ 477,816**			$ 466,279		
Net interest income/spread		**$ 23,110**	**6.14**		$ 21,722	6.02
Impact of non-interest-bearing funding			**0.69**			0.57
Net interest margin(6)			**6.83 %**			6.59%

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

(2) Past due fees, net of reversals, included in interest income totaled approximately $626 million and $1.7 billion in the third quarter and first nine months of 2024, respectively, and $593 million and $1.6 billion in the third quarter and first nine months of 2023 , respectively.

(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. Taxable-equivalent adjustments included in the interest income and yield computations for our commercial loans totaled approximately $20 million and $59 million in the third quarter and first nine months of 2024, respectively, and $18 million and $55 million in the third quarter and first nine months of 2023, respectively, with corresponding reductions to the Other category.

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

(5) Includes amounts related to entities that provide capital to low-income and rural communities of $2.0 billion and $2.0 billion in the third quarter and first nine months of 2024, respectively, and $1.9 billion and $1.8 billion in the third quarter and first nine months of 2023, respectively. Related interest expense was $7 million and $23 million for the third quarter and first nine months of 2024, respectively, and $8 million and $24 million for the third quarter and first nine months of 2023, respectively.

(6) The Walmart Program Termination increased net interest margin by 22 bps and 11 bps in the third quarter and first nine months of 2024.

** Not meaningful.

Net interest income increased by $653 million to $8.1 billion in the third quarter of 2024 compared to the third quarter of 2023 primarily driven by higher average loan balances and margins in our credit card loan portfolio, including the impacts of the elimination of revenue sharing provisions due to the Walmart Program Termination. Net interest income increased by $1.4 billion to $23.1 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by higher average loan balances and margins in our credit card loan portfolio, including the impacts of the elimination of revenue sharing provisions due to the Walmart Program Termination, partially offset by higher rates paid on interest-bearing deposits.

Net interest margin increased by 42 bps to 7.11% in the third quarter of 2024 compared to the third quarter of 2023 and increased by 24 bps to 6.83% in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by higher asset yields and growth in our credit card loan portfolio, partially offset by higher rates paid on interest-bearing deposits.

Our total company cumulative interest-bearing deposit beta was 62% as of June 30, 2024, prior to the Federal Reserve reducing the target federal funds rate during the third quarter of 2024, which marked the beginning of a new rate cycle.

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 September 30,			Nine Months Ended September 30,		
	2024 vs. 2023			2024 vs. 2023		
(Dollars in millions)	Total Variance	Volume	Rate	Total Variance	Volume	Rate
Interest income:						
Loans:						
Credit card	$ 728	$ 491	$ 237	$ 2,528	$ 1,770	$ 758
Consumer banking	155	(19)	174	383	(137)	520
Commercial banking[(2)]	(41)	(69)	28	119	(205)	324
Other[(3)]	9	—	9	(46)	—	(46)
Total loans, including loans held for sale	851	403	448	2,984	1,428	1,556
Investment securities	106	20	86	239	7	232
Cash equivalents and other interest-earning assets	30	37	(7)	301	204	97
Total interest income	987	460	527	3,524	1,639	1,885
Interest expense:						
Interest-bearing deposits	334	71	263	1,887	202	1,685
Securitized debt obligations	(15)	(26)	11	57	(21)	78
Senior and subordinated notes	17	10	7	197	61	136
Other borrowings and liabilities	(2)	—	(2)	(5)	—	(5)
Total interest expense	334	55	279	2,136	242	1,894
Net interest income	$ 653	$ 405	$ 248	$ 1,388	$ 1,397	$ (9)

(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 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.

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

Non-Interest Income

Table 4 displays the components of non-interest income for the third quarter and first nine months of 2024 and 2023.

Table 4: Non-Interest Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**
Interchange fees, net	**$ 1,228**	$ 1,234	**$ 3,622**	$ 3,586
Service charges and other customer-related fees	**501**	453	**1,422**	1,243
Net securities gains (losses)	**(35)**	—	**(35)**	—
Other[1][2]	**244**	256	**803**	730
Total non-interest income	**$ 1,938**	$ 1,943	**$ 5,812**	$ 5,559

[1] Primarily consists of revenue from Capital One Shopping, treasury and other investment income, our credit card partnership agreements and commercial mortgage banking revenue.

[2] Includes gains of $36 million and $89 million on deferred compensation plan investments in the third quarter and first nine months of 2024, respectively, and losses of $13 million and gains of $36 million on deferred compensation plan investments in the third quarter and first nine months of 2023, respectively. These amounts have corresponding offsets in non-interest expense.

Non-interest income remained substantially flat at $1.9 billion in the third quarter of 2024 compared to the third quarter of 2023. Non-interest income increased by $253 million to $5.8 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by growth in our Credit Card business and higher capital markets activity in our Commercial Banking business.

Provision for Credit Losses

Our provision for credit losses in each period is driven by net charge-offs, changes to the allowance for credit losses and changes to the reserve for unfunded lending commitments. Our provision for credit losses increased by $198 million to $2.5 billion in the third quarter of 2024 primarily driven by higher net charge-offs, including the impacts of the elimination of loss sharing provisions due to the Walmart Program Termination, partially offset by an allowance release compared to an allowance build in the third quarter of 2023. Our provision for credit losses increased by $1.5 billion to $9.1 billion in the first nine months of 2024 primarily driven by higher net charge-offs in Domestic Card, partially offset by a lower net allowance build.

We provide additional information on the provision for credit losses and changes in the allowance for credit losses within "Credit Risk Profile" and "Part I—Item 1. Financial Statements—Note 5—Allowance for Credit Losses and Reserve for Unfunded Lending Commitments." For information on the allowance methodology for each of our loan categories, see "Part II—Item 8. Financial Statements—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K.

Non-Interest Expense

Table 5 displays the components of non-interest expense for the third quarter and first nine months of 2024 and 2023.

Table 5: Non-Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**
Operating Expense:				
Salaries and associate benefits[1]	**$ 2,391**	$ 2,274	**$ 7,069**	$ 7,018
Occupancy and equipment	**587**	518	**1,692**	1,532
Professional services	**402**	295	**980**	909
Communications and data processing	**358**	344	**1,064**	1,038
Amortization of intangibles	**20**	24	**58**	60
Other non-interest expense:				
Bankcard, regulatory and other fee assessments	**59**	62	**257**	197
Collections	**89**	89	**259**	261
Other	**295**	282	**831**	829
Total other non-interest expense	**443**	433	**1,347**	1,287
Total operating expense	**$ 4,201**	$ 3,888	**$ 12,210**	$ 11,844
Marketing	**1,113**	972	**3,187**	2,755
Total non-interest expense	**$ 5,314**	$ 4,860	**$ 15,397**	$ 14,599

[1] Includes expenses of $36 million and $89 million related to our deferred compensation plan investments for the third quarter and first nine months of 2024 , respectively, and benefit of $13 million and expense of $36 million related to our deferred compensation plan investments for the third quarter and first nine months of 2023, respectively. These amounts have corresponding offsets from investments in other non-interest income.

Non-interest expense increased by $454 million to $5.3 billion in the third quarter of 2024 compared to the third quarter of 2023 and increased by $798 million to $15.4 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by growth in our Credit Card business and increased marketing spend.

For the three and nine months ended September 30, 2024, we have incurred $63 million and $94 million of integration expenses related to the agreement to acquire Discover, which are included in Operating Expense in our Consolidated Statements of Income.

Income Taxes

We recorded an income tax provision of $441 million (19.9% effective income tax rate) and $797 million (17.9% effective income tax rate) in the third quarter and first nine months of 2024, respectively, compared to an income tax provision of $432 million (19.4% effective income tax rate) and $932 million (18.2% effective income tax rate) in the third quarter and first nine months of 2023, 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.

We provide additional information on items affecting our income taxes and effective tax rate in "Part II—Item 8. Financial Statements and Supplementary Data—Note 15—Income Taxes" in our 2023 Form 10-K.

CONSOLIDATED BALANCE SHEETS ANALYSIS

Total assets increased by $8.0 billion to $486.4 billion as of September 30, 2024 from December 31, 2023 primarily driven by increases in our cash and securities available for sale balances, partially offset by an allowance build due to the Walmart Program Termination in the second quarter of 2024.

Total liabilities increased by $3.1 billion to $423.5 billion as of September 30, 2024 from December 31, 2023 primarily driven by deposit growth due to our national consumer banking strategy, partially offset by net maturities of our securitized debt obligations. Our national consumer banking strategy includes our national brand and marketing strategy, cafés, and tech / digital investments, which have enabled us to both deepen and grow our overall customer base.

Stockholders' equity increased by $4.8 billion to $62.9 billion as of September 30, 2024 from December 31, 2023 primarily driven by net income of $3.7 billion.

The following is a discussion of material changes in the major components of our assets and liabilities during the first nine months of 2024. Period-end balance sheet amounts may vary from average balance sheet amounts due to the timing of normal balance sheet management activities that are intended to support our capital and liquidity positions, our market risk profile and the needs of our customers.

Investment Securities

Our investment securities portfolio consists of the following: U.S. government-sponsored enterprise or agency ("GSE" or "Agency") and non-agency residential mortgage-backed securities ("RMBS"), agency commercial mortgage-backed securities ("CMBS"), U.S. Treasury securities and other securities. Agency securities include Government National Mortgage Association ("Ginnie Mae") guaranteed securities, Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") issued securities. The carrying value of our investments in Agency and U.S. Treasury securities represented 96% and 97% of our total investment securities portfolio as of September 30, 2024 and December 31, 2023, respectively.

The fair value of our available for sale securities portfolio increased by $4.4 billion to $83.5 billion as of September 30, 2024 from December 31, 2023, primarily driven by net purchases and decreases in relevant benchmark interest rates. See "Part I—Item 1. Financial Statements—Note 3—Investment Securities" for more information.

Loans Held for Investment

Total loans held for investment consists of both unsecuritized loans and loans held in our consolidated trusts. Table 6 summarizes, by portfolio segment, the carrying value of our loans held for investment, the allowance for credit losses and net loan balance as of September 30, 2024 and December 31, 2023.

Table 6: Loans Held for Investment

	September 30, 2024			December 31, 2023		
(Dollars in millions)	**Loans**	**Allowance**	**Net Loans**	**Loans**	**Allowance**	**Net Loans**
Credit Card	**$ 156,651**	**$ (12,989)**	**$ 143,662**	$ 154,547	$ (11,709)	$ 142,838
Consumer Banking	**76,758**	**(2,015)**	**74,743**	75,437	(2,042)	73,395
Commercial Banking	**86,834**	**(1,530)**	**85,304**	90,488	(1,545)	88,943
Total	**$ 320,243**	**$ (16,534)**	**$ 303,709**	$ 320,472	$ (15,296)	$ 305,176

Loans held for investment decreased by $229 million to $320.2 billion as of September 30, 2024 compared to December 31, 2023 primarily driven by customer payments outpacing originations in our commercial loan portfolio, partially offset by growth in our credit card and auto loan portfolios.

We provide additional information on the composition of our loan portfolio and credit quality in "Credit Risk Profile," "Consolidated Results of Operations" and "Part I—Item 1. Financial Statements—Note 4—Loans."

Funding Sources

Our primary source of funding comes from insured retail deposits, as they are a relatively stable and lower 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 Bank ("FHLB") advances secured by certain portions of our loan and securities portfolios.

Table 7 provides the composition of our primary sources of funding as of September 30, 2024 and December 31, 2023.

Table 7: Funding Sources Composition

	September 30, 2024		December 31, 2023	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Deposits:				
Consumer Banking	**$ 309,569**	**77 %**	$ 296,171	74 %
Commercial Banking	**30,598**	**8**	32,712	8
Other[1]	**13,464**	**3**	19,530	5
Total deposits	**353,631**	**88**	348,413	87
Securitized debt obligations	**15,881**	**4**	18,043	5
Other debt	**33,455**	**8**	31,813	8
Total funding sources	**$ 402,967**	**100 %**	$ 398,269	100 %

[1] Includes brokered deposits of $12.4 billion and $18.5 billion as of September 30, 2024 and December 31, 2023, respectively.

Total deposits increased by $5.2 billion to $353.6 billion as of September 30, 2024 from December 31, 2023 primarily driven by our national consumer banking strategy, partially offset by maturities in brokered deposits.

As of September 30, 2024 and December 31, 2023, we held $62.1 billion and $64.2 billion, respectively, of estimated uninsured deposits. These amounts were primarily comprised ochecking and savings deposits. These estimated uninsured deposits comprised approximately 18% of our total deposits as of both September 30, 2024 and December 31, 2023. We estimate our uninsured amounts based on methodologies and assumptions used for our "Consolidated Reports of Condition and Income" (Federal Financial Institutions Examination Council ("FFIEC") 031) filed with the Federal Banking Agencies, adjusted to exclude certain items not presented within deposits on our consolidated balance sheet, including intercompany balances and cash collateral received on certain derivative contracts.

Securitized debt obligations decreased by $2.2 billion to $15.9 billion as of September 30, 2024 from December 31, 2023 primarily driven by net maturities and paydowns in our securitization programs.

Other debt increased by $1.6 billion to $33.5 billion as of September 30, 2024 from December 31, 2023 primarily driven by net issuances of unsecured senior debt.

We provide additional information on our funding sources in "Liquidity Risk Profile" and "Part I—Item 1. Financial Statements—Note 8—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 "Part I—Item 1. Financial Statements—Note 6—Variable Interest Entities and Securitizations" and "Part I—Item 1. Financial Statements—Note 14—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 business segment are included in the Other category, such as the management of our corporate investment portfolio and asset/liability positions performed by our centralized Corporate Treasury group and any residual tax expense or benefit beyond what is assessed to our business segments in order to arrive at the consolidated effective tax rate. The Other category also includes unallocated corporate 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 and integration expenses related to the agreement to acquire Discover.

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 revenues 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 is managed by our centralized Corporate Treasury group and 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 is unique to each business segment and acquired business and is based on the composition of assets and liabilities. The funds transfer pricing process considers the interest rate and liquidity risk characteristics of assets and liabilities and off-balance sheet products. Periodically, the methodology and assumptions utilized in the funds transfer pricing process are adjusted to reflect economic conditions and other factors, which may impact the allocation of net interest income to the business segments. 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 "Part II—Item 8. Financial Statements and Supplementary Data—Note 17—Business Segments and Revenue from Contracts with Customers" in our 2023 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 third quarter and first nine months of 2024 and 2023 and provide a comparative discussion of these results, as well as changes in our financial condition and credit performance metrics as of September 30, 2024 compared to December 31, 2023. We provide a reconciliation of our total business segment results to our reported consolidated results in "Part I—Item 1. Financial Statements—Note 13—Business Segments and Revenue from Contracts with Customers."

Business Segment Financial Performance

Table 8 summarizes our business segment results, which we report based on total net revenue (loss) and net income (loss) from continuing operations, for the third quarter and first nine months of 2024 and 2023.

Table 8: Business Segment Results

	Three Months Ended September 30,							
	2024				2023			
	Total Net Revenue (Loss)[1]		Net Income (Loss)[2]		Total Net Revenue (Loss)[1]		Net Income (Loss)[2]	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Credit Card	**$ 7,252**	**72%**	**$ 1,374**	**77%**	$ 6,627	71%	$ 1,266	71%
Consumer Banking	**2,210**	**22**	**403**	**23**	2,275	24	611	34
Commercial Banking[3]	**888**	**9**	**263**	**15**	909	10	214	12
Other[3]	**(336)**	**(3)**	**(263)**	**(15)**	(445)	(5)	(301)	(17)
Total	**$ 10,014**	**100%**	**$ 1,777**	**100%**	$ 9,366	100%	$ 1,790	100%

	Nine Months Ended September 30,							
	2024				2023			
	Total Net Revenue (Loss)[1]		Net Income (Loss)[2]		Total Net Revenue (Loss)[1]		Net Income (Loss)[2]	
(Dollars in millions)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Credit Card	**$ 20,800**	**72%**	**$ 2,426**	**66%**	$ 18,873	69%	$ 2,672	64%
Consumer Banking	**6,577**	**23**	**1,255**	**34**	7,188	26	2,036	49
Commercial Banking[3]	**2,648**	**9**	**821**	**22**	2,658	10	468	11
Other[3]	**(1,103)**	**(4)**	**(848)**	**(22)**	(1,438)	(5)	(995)	(24)
Total	**$ 28,922**	**100%**	**$ 3,654**	**100%**	$ 27,281	100%	$ 4,181	100%

(1) Total net revenue (loss) consists of net interest income and non-interest income.

(2) Net income (loss) for our business segments and the Other category is based on income (loss) from continuing operations, net of tax.

(3) Some of our commercial investments generate tax-exempt income, tax credits or other tax benefits. Accordingly, we present our Commercial Banking revenue and yields on a taxable-equivalent basis, calculated using the federal statutory tax rate of 21% and state taxes where applicable, with offsetting reductions to the Other category.

Credit Card Business

The primary sources of revenue for our Credit Card business are net interest income, net interchange income and fees collected from customers. Expenses primarily consist of the provision for credit losses, operating costs and marketing expenses.

Our Credit Card business generated net income from continuing operations of $1.4 billion and $2.4 billion in the third quarter and first nine months of 2024, respectively, and $1.3 billion and $2.7 billion in the third quarter and first nine months of 2023, respectively.

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

Table 9: Credit Card Business Results

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions, except as noted)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Selected income statement data:						
Net interest income	**$ 5,743**	$ 5,114	12%	**$ 16,309**	$ 14,498	12%
Non-interest income	**1,509**	1,513	—	**4,491**	4,375	3
Total net revenue[1]	**7,252**	6,627	9	**20,800**	18,873	10
Provision for credit losses	**2,084**	1,953	7	**7,888**	6,298	25
Non-interest expense	**3,367**	3,015	12	**9,730**	9,073	7
Income from continuing operations before income taxes	**1,801**	1,659	9	**3,182**	3,502	(9)
Income tax provision	**427**	393	9	**756**	830	(9)
Income from continuing operations, net of tax	**$ 1,374**	$ 1,266	9	**$ 2,426**	$ 2,672	(9)
Selected performance metrics:						
Average loans held for investment	**$ 153,972**	$ 144,049	7	**$ 151,371**	$ 139,195	9
Average yield on loans[2]	**19.66 %**	19.02 %	64bps	**19.10 %**	18.40 %	70bps
Total net revenue margin[3]	**18.82**	18.40	42	**18.28**	18.08	20
Net charge-offs	**$ 2,154**	$ 1,592	35%	**$ 6,619**	$ 4,489	47%
Net charge-off rate	**5.60 %**	4.42 %	118bps	**5.83 %**	4.30 %	153bps
Purchase volume	**$ 166,203**	$ 158,640	5%	**$ 481,517**	$ 458,235	5%

(Dollars in millions, except as noted)	**September 30, 2024**	**December 31, 2023**	**Change**
Selected period-end data:			
Loans held for investment	**$ 156,651**	$ 154,547	1%
30+ day performing delinquency rate	**4.53 %**	4.61 %	(8)bps
30+ day delinquency rate	**4.54**	4.62	(8)
Nonperforming loan rate[4]	**0.01**	0.01	—
Allowance for credit losses	**$ 12,989**	$ 11,709	11%
Allowance coverage ratio	**8.29%**	7.58 %	71bps

(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 any uncollectible amounts. Total net revenue was reduced by $624 million and $1.9 billion in the third quarter and first nine months of 2024, respectively, compared to $449 million and $1.3 billion in the third quarter and first nine months of 2023, 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 "Nonperforming Loans and Other Nonperforming Assets" for additional information.

Key factors affecting the results of our Credit Card business for the third quarter and first nine months of 2024 compared to the third quarter and first nine months of 2023, and changes in financial condition and credit performance between September 30, 2024 and December 31, 2023 include the following:

- *Net Interest Income:* Net interest income increased by $629 million to $5.7 billion in the third quarter of 2024 and increased by $1.8 billion to $16.3 billion in the first nine months of 2024 primarily driven by higher average loan balances and margins, including the impacts of the elimination of revenue sharing provisions due to the Walmart Program Termination.

- *Non-Interest Income:* Non-interest income remained substantially flat at $1.5 billion in the third quarter of 2024 compared to the third quarter of 2023. Non-interest income increased by $116 million to $4.5 billion in the first nine months of 2024 due to growth in our Credit Card business.

- *Provision for Credit Losses:* Provision for credit losses increased by $131 million to $2.1 billion in the third quarter of 2024 driven by higher net charge-offs, including the impacts of the elimination of loss sharing provisions due to the Walmart Program Termination, partially offset by an allowance release compared to an allowance build in the third quarter of 2023. Provision for credit losses increased by $1.6 billion to $7.9 billion in the first nine months of 2024 primarily driven by higher net charge-offs, partially offset by a lower allowance build.

- *Non-Interest Expense:* Non-interest expense increased by $352 million to $3.4 billion in the third quarter of 2024 and increased by $657 million to $9.7 billion in the first nine months of 2024 primarily driven by growth in our Credit Card business and increased marketing spend.

Loans Held for Investment:

- Period-end loans held for investment increased by $2.1 billion to $156.7 billion as of September 30, 2024 from December 31, 2023 primarily driven by growth across our portfolio.

- Average loans held for investment increased by $9.9 billion to $154.0 billion in the third quarter of 2024 compared to the third quarter of 2023 and increased by $12.2 billion to $151.4 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by growth across our portfolio.

Net Charge-Off and Delinquency Metrics:

- The net charge-off rate increased by 118 bps to 5.60% in the third quarter of 2024 compared to the third quarter of 2023 and increased by 153 bps to 5.83% in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by higher principal charge-offs in our domestic credit card loan portfolio.

- The 30+ day delinquency rate decreased by 8 bps to 4.54% as of September 30, 2024 from December 31, 2023 primarily driven by higher ending loan balances.

Domestic Card Business

The Domestic Card business generated net income from continuing operations of $1.3 billion and $2.3 billion in the third quarter and first nine months of 2024, respectively, and $1.2 billion and $2.6 billion in the third quarter and first nine months of 2023, respectively. In the third quarter and first nine months of 2024 and 2023, the Domestic Card business accounted for greater than 90% of total net revenue of our Credit Card business.

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

Table 9.1: Domestic Card Business Results

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions, except as noted)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Selected income statement data:						
Net interest income	**$ 5,434**	$ 4,827	13%	**$ 15,407**	$ 13,670	13%
Non-interest income	**1,438**	1,445	—	**4,289**	4,174	3
Total net revenue[(1)]	**6,872**	6,272	10	**19,696**	17,844	10
Provision for credit losses	**1,997**	1,861	7	**7,589**	6,030	26
Non-interest expense	**3,149**	2,810	12	**9,120**	8,462	8
Income from continuing operations before income taxes	**1,726**	1,601	8	**2,987**	3,352	(11)
Income tax provision	**407**	378	8	**705**	791	(11)
Income from continuing operations, net of tax	**$ 1,319**	$ 1,223	8	**$ 2,282**	$ 2,561	(11)
Selected performance metrics:						
Average loans held for investment	**$ 147,021**	$ 137,500	7	**$ 144,560**	$ 132,889	9
Average yield on loans[(2)]	**19.62 %**	18.96%	66bps	**19.04 %**	18.31 %	73bps
Total net revenue margin[(3)(4)]	**18.67**	18.24	43	**18.12**	17.90	22
Net charge-offs	**$ 2,063**	$ 1,512	36%	**$ 6,356**	$ 4,262	49%
Net charge-off rate[(5)]	**5.61%**	4.40%	121bps	**5.86 %**	4.28 %	158bps
Purchase volume	**$ 162,281**	$ 154,880	5%	**$ 470,347**	$ 447,374	5%

(Dollars in millions, except as noted)	**September 30, 2024**	**December 31, 2023**	**Change**
Selected period-end data:			
Loans held for investment	**$ 149,400**	$ 147,666	1%
30+ day performing delinquency rate	**4.53 %**	4.61 %	(8)bps
Allowance for credit losses	**$ 12,494**	$ 11,261	11%
Allowance coverage ratio[(6)]	**8.36 %**	7.63 %	73bps

(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 any 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.

(4) The Walmart Program Termination increased revenue margin by 51 bps and 21 bps in the third quarter and nine months ended September 30, 2024, respectively.

(5) The Walmart Program Termination increased the Domestic Card net charge-off rate by 38 bps and 19 bps in the third quarter and nine months ended September 30, 2024, respectively.

(6) The Walmart Program Termination resulted in an allowance for credit losses build in Domestic Card of $826 million in the second quarter of 2024.

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 third quarter of 2024 compared to the third quarter of 2023 primarily driven by:

- Higher net interest income primarily driven by higher average loan balances and margins, including the impacts of the elimination of revenue sharing provisions due to the Walmart Program Termination.

These drivers were partially offset by:

- Higher non-interest expense primarily driven by growth in our Credit Card business and increased marketing spend.
- Higher provision for credit losses driven by higher net charge-offs, including the impacts of the elimination of loss sharing provisions due to the Walmart Program Termination, partially offset by an allowance release compared to an allowance build in the third quarter of 2023.

Net income for our Domestic Card business decreased in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by:

- Higher provision for credit losses primarily driven by higher net charge-offs, partially offset by a lower allowance build.
- Higher non-interest expense primarily driven by growth in our Credit Card business and increased marketing spend.

These drivers were partially offset by:

- Higher net interest income primarily driven by higher average loan balances and margins, including the impacts of the elimination of revenue sharing provisions due to the Walmart Program Termination.

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 $403 million and $1.3 billion in the third quarter and first nine months of 2024, respectively, and $611 million and $2.0 billion in the third quarter and first nine months of 2023, respectively.

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

Table 10: Consumer Banking Business Results

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions, except as noted)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Selected income statement data:						
Net interest income	**$ 2,028**	$ 2,133	(5)%	**$ 6,064**	$ 6,762	(10)%
Non-interest income	**182**	142	28	**513**	426	20
Total net revenue	**2,210**	2,275	(3)	**6,577**	7,188	(9)
Provision for credit losses	**351**	213	65	**1,107**	747	48
Non-interest expense	**1,331**	1,262	5	**3,827**	3,776	1
Income from continuing operations before income taxes	**528**	800	(34)	**1,643**	2,665	(38)
Income tax provision	**125**	189	(34)	**388**	629	(38)
Income from continuing operations, net of tax	**$ 403**	$ 611	(34)	**$ 1,255**	$ 2,036	(38)

Selected performance metrics:								
Average loans held for investment:								
Auto	$	**74,920**	$	75,740	(1)	$	**74,264**	$ 76,473	(3)
Retail banking		**1,262**		1,414	(11)		**1,291**	1,469	(12)
Total consumer banking	$	**76,182**	$	77,154	(1)	$	**75,555**	$ 77,942	(3)
Average yield on loans held for investment[(1)]		**8.88 %**		7.97%	91bps		**8.59 %**	7.67%	92bps
Average deposits	$	**306,121**	$	287,457	6%	$	**300,475**	$ 283,991	6%
Average deposits interest rate		**3.33 %**		2.85 %	48bps		**3.23 %**	2.43 %	80bps
Net charge-offs	$	**401**	$	349	15%	$	**1,134**	$ 935	21%
Net charge-off rate		**2.11 %**		1.81 %	30bps		**2.00 %**	1.60 %	40bps
Auto loan originations	$	**9,158**	$	7,452	23%	$	**25,143**	$ 20,823	21%

(Dollars in millions, except as noted)	**September 30, 2024**	**December 31, 2023**	**Change**
Selected period-end data:			
Loans held for investment:			
Auto	$ **75,505**	$ 74,075	2%
Retail banking	**1,253**	1,362	(8)
Total consumer banking	$ **76,758**	$ 75,437	2
30+ day performing delinquency rate	**5.53 %**	6.25 %	(72)bps
30+ day delinquency rate	**6.31**	7.08	(77)
Nonperforming loan rate	**0.93**	1.00	(7)
Nonperforming asset rate[(2)]	**1.01**	1.09	(8)
Allowance for credit losses	$ **2,015**	$ 2,042	(1)%
Allowance coverage ratio	**2.63 %**	2.71 %	(8)bps
Deposits	$ **309,569**	$ 296,171	5%

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(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.

Key factors affecting the results of our Consumer Banking business for the third quarter and first nine months of 2024 compared to the third quarter and first nine months of 2023, and changes in financial condition and credit performance between September 30, 2024 and December 31, 2023 include the following:

- *Net Interest Income:* Net interest income decreased by $105 million to $2.0 billion in the third quarter of 2024 and decreased by $698 million to $6.1 billion in the first nine months of 2024 primarily driven by lower margins in our retail banking business, partially offset by higher deposits in our retail banking business.

- *Non-Interest Income:* Non-interest income increased by $40 million to $182 million in the third quarter of 2024 and increased by $87 million to $513 million in the first nine months of 2024 primarily driven by higher interchange revenue from an increase in debit card purchase volume and revenue earned from auto industry services.

- *Provision for Credit Losses:* Provision for credit losses increased by $138 million to $351 million in the third quarter of 2024 and increased by $360 million to $1.1 billion in the first nine months of 2024 primarily driven by higher net charge-offs and a smaller allowance release in our auto loan portfolio.

- *Non-Interest Expense:* Non-interest expense remained substantially flat at $1.3 billion in the third quarter of 2024 compared to the third quarter of 2023 and $3.8 billion in the first nine months of 2024 compared to the first nine months of 2023.

Loans Held for Investment:

- Period-end loans held for investment increased by $1.3 billion to $76.8 billion as of September 30, 2024 from December 31, 2023 primarily driven by growth in our auto loan portfolio.
- Average loans held for investment decreased by $972 million to $76.2 billion in the third quarter of 2024 compared to the third quarter of 2023 and decreased by $2.4 billion to $75.6 billion in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by the impact of lower auto originations in the second half of 2022 and throughout 2023.

Deposits:

- Period-end deposits increased by $13.4 billion to $309.6 billion as of September 30, 2024 from December 31, 2023 primarily driven by continued growth from our national consumer banking strategy.

Net Charge-Off and Delinquency Metrics:

- The net charge-off rate increased by 30 bps to 2.11% in the third quarter of 2024 compared to the third quarter of 2023 and increased by 40 bps to 2.00% in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by higher net charge-offs in our auto loan portfolio.
- The 30+ day delinquency rate decreased by 77 bps to 6.31% as of September 30, 2024 compared to December 31, 2023 primarily driven by lower auto delinquency inventories.

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 advisory services, 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 $263 million and $821 million in the third quarter and first nine months of 2024, respectively, and $214 million and $468 million in the third quarter and first nine months of 2023, respectively.

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

Table 11: Commercial Banking Business Results

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollars in millions, except as noted)	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
Selected income statement data:						
Net interest income	**$ 596**	$ 621	(4)%	**$ 1,804**	$ 1,901	(5)%
Non-interest income	**292**	288	1	**844**	757	11
Total net revenue[1]	**888**	909	(2)	**2,648**	2,658	—
Provision for credit losses[2]	**48**	116	(59)	**80**	521	(85)
Non-interest expense	**495**	512	(3)	**1,493**	1,524	(2)
Income from continuing operations before income taxes	**345**	281	23	**1,075**	613	75
Income tax provision	**82**	67	22	**254**	145	75
Income from continuing operations, net of tax	**$ 263**	$ 214	23	**$ 821**	$ 468	75
Selected performance metrics:						
Average loans held for investment:						
Commercial and multifamily real estate	**$ 32,416**	$ 35,964	(10)	**$ 33,505**	$ 36,796	(9)
Commercial and industrial	**55,685**	55,592	—	**55,496**	56,142	(1)
Total commercial banking	**$ 88,101**	$ 91,556	(4)	**$ 89,001**	$ 92,938	(4)
Average yield on loans held for investment[1][3]	**7.25 %**	7.16 %	9bps	**7.21 %**	6.73 %	48bps
Average deposits	**$ 30,365**	$ 37,279	(19)%	**$ 31,004**	$ 38,383	(19)%
Average deposits interest rate	**2.55 %**	2.93 %	(38)bps	**2.58 %**	2.65 %	(7)bps
Net charge-offs	**$ 49**	$ 58	(16)%	**$ 111**	$ 457	(76)%
Net charge-off rate	**0.22 %**	0.25 %	(3)bps	**0.17 %**	0.66 %	(49)bps

(Dollars in millions, except as noted)	**September 30, 2024**	**December 31, 2023**	**Change**
Selected period-end data:			
Loans held for investment:			
Commercial and multifamily real estate	**$ 32,199**	$ 34,446	(7)%
Commercial and industrial	**54,635**	56,042	(3)
Total commercial banking	**$ 86,834**	$ 90,488	(4)
Nonperforming loan rate	**1.55 %**	0.84 %	71bps
Nonperforming asset rate[4]	**1.55**	0.84	71
Allowance for credit losses[2]	**$ 1,530**	$ 1,545	(1)%
Allowance coverage ratio	**1.76 %**	1.71 %	5bps
Deposits	**$ 30,598**	$ 32,712	(6)%
Loans serviced for others	**53,162**	52,341	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 $142 million and $158 million as of September 30, 2024 and December 31, 2023, 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.

Key factors affecting the results of our Commercial Banking business for the third quarter and first nine months of 2024 compared to the third quarter and first nine months of 2023, and changes in financial condition and credit performance between September 30, 2024 and December 31, 2023 include the following:

- *Net Interest Income:* Net interest income decreased by $25 million to $596 million in the third quarter of 2024 and decreased by $97 million to $1.8 billion in the first nine months of 2024 primarily driven by lower average loan balances.
- *Non-Interest Income:* Non-interest income remained substantially flat at $292 million in the third quarter of 2024 compared to the third quarter of 2023. Non-interest income increased by $87 million to $844 million in the first nine months of 2024 primarily driven by our capital markets business.
- *Provision for Credit Losses:* Provision for credit losses decreased by $68 million to $48 million in the third quarter of 2024 primarily driven by an allowance release compared to an allowance build in the third quarter of 2023. Provision for credit losses decreased by $441 million to $80 million in the first nine months of 2024 primarily driven by lower net charge-offs in our office real estate portfolio.
- *Non-Interest Expense:* Non-interest expense remained substantially flat at $495 million in the third quarter of 2024 compared to the third quarter of 2023 and at $1.5 billion in the first nine months of 2024 compared to the first nine months of 2023.

Loans Held for Investment:

- Period-end loans held for investment decreased by $3.7 billion to $86.8 billion as of September 30, 2024 from December 31, 2023 primarily driven by customer payments outpacing originations.
- Average loans held for investment decreased by $3.5 billion to $88.1 billion in the third quarter of 2024 and decreased by $3.9 billion to $89.0 billion in the first nine months of 2024 primarily driven by customer payments outpacing originations.

Deposits:

- Period-end deposits decreased by $2.1 billion to $30.6 billion as of September 30, 2024 from December 31, 2023 primarily driven by an intentional reduction in lower margin deposit balances.

Net Charge-Off and Nonperforming Metrics:

- The net charge-off rate remained substantially flat at 0.22% in the third quarter of 2024. The net charge-off rate decreased by 49 bps to 0.17% in the first nine months of 2024 primarily driven by lower net charge-offs in our office real estate portfolio.
- The nonperforming loan rate increased by 71 bps to 1.55% as of September 30, 2024 compared to December 31, 2023 primarily driven by credit downgrades.

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 oversight of our funds transfer pricing process. 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 and integration expenses related to the agreement to acquire Discover;
- offsets related to certain line-item reclassifications;
- residual tax expense or benefit to arrive at the consolidated effective tax rate that is not assessed to our primary business segments; and
- foreign exchange-rate fluctuations on foreign currency-denominated balances.

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

Table 12: Other Category Results

(Dollars in millions)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Change	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Change
Selected income statement data:						
Net interest loss	**$ (291)**	$ (445)	(35)%	**$ (1,067)**	$ (1,439)	(26)%
Non-interest income (loss)	**(45)**	—	**	**(36)**	1	**
Total net income[1]	**(336)**	(445)	(24)	**(1,103)**	(1,438)	(23)
Provision for credit losses	**(1)**	2	**	**(1)**	3	**
Non-interest expense	**121**	71	70	**347**	226	54
Loss from continuing operations before income taxes	**(456)**	(518)	(12)	**(1,449)**	(1,667)	(13)
Income tax benefit	**(193)**	(217)	(11)	**(601)**	(672)	(11)
Loss from continuing operations, net of tax	**$ (263)**	$ (301)	(13)	**$ (848)**	$ (995)	(15)

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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.

** Not meaningful.

Loss from continuing operations decreased by $38 million to a loss of $263 million in the third quarter of 2024 compared to the third quarter of 2023 and decreased by $147 million to a loss of $848 million in the first nine months of 2024 compared to the first nine months of 2023 primarily driven by higher treasury income.

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 "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K.

We have identified the following accounting estimates as critical because they require significant judgments and assumptions about highly complex and inherently uncertain matters and the use of reasonably different estimates and assumptions could have a material impact on our results of operations or financial condition. Our critical accounting policies and estimates are as follows:

- Loan loss reserves
- Goodwill
- Fair value
- Customer rewards reserve

We evaluate our critical accounting estimates and judgments on an ongoing basis and update them as necessary, based on changing conditions. There have been no changes to our critical accounting policies and estimates described in our 2023 Form 10-K under "Part II—Item 7. MD&A—Critical Accounting Policies and Estimates."

ACCOUNTING CHANGES AND DEVELOPMENTS

Accounting Standards Issued but Not Adopted as of September 30, 2024

Standard	Guidance	Adoption Timing and Financial Statement Impacts
Income Tax Disclosures Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures* *Issued December 2023*	Requires entities to annually provide additional information in the income tax rate reconciliation and make additional disclosures about income taxes paid.	Effective beginning with our annual period ending on December 31, 2025, with early adoption permitted. Prospective application is required and retrospective application is also permitted. We plan to adopt this standard for the above annual period and to apply the new requirements prospectively. We expect such adoption to result in additional information being included in our income tax footnote and consolidated statements of cash flows.
Segment Reporting Disclosures ASU No. 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures* *Issued November 2023*	Requires disclosure of incremental segment information on an annual and interim basis.	Effective beginning with our annual period ending on December 31, 2024 and interim periods within fiscal years beginning January 1, 2025, with early adoption permitted. Retrospective application is required. We plan to adopt this standard for the above annual period and to apply the new requirements retrospectively. We are still assessing the extent of the impacts of adoption to the disclosures in our business segment footnote.

CAPITAL MANAGEMENT

The level and composition of our capital are determined by multiple factors, including our consolidated regulatory capital requirements as described in more detail below and internal risk-based capital assessments such as internal stress testing. 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 Bank are subject to the regulatory capital requirements established by the Board of Governors of the Federal Reserve System (“Federal Reserve”) and the Office of the Comptroller of the Currency (“OCC”), respectively (the “Basel III Capital Rules”). The Basel III Capital Rules implement certain capital requirements published by the Basel Committee on Banking Supervision (“Basel Committee”), along with certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) and other capital provisions.

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

The Bank, as a subsidiary of a Category III institution, is a Category III bank. Moreover, the Bank, as an insured depository institution, is subject to prompt corrective action (“PCA”) capital regulations.

Basel III and U.S. Capital Rules

Under the Basel III Capital Rules, we must maintain a minimum 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 requirement and countercyclical capital buffer requirement, each as described below. Our capital and leverage ratios are calculated based on the Basel III standardized approach framework.

We have elected to exclude certain elements of accumulated other comprehensive income (“AOCI”) from our regulatory capital as permitted for a Category III institution. For information on the recognition of AOCI in regulatory capital under the proposed changes to the Basel III Capital Rules, see “Part I—Item 1. Business—Supervision and Regulation—Prudential Regulation of Banking—Capital and Stress Testing Regulation—Basel III Finalization Proposal” in our 2023 Form 10-K.

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

Stress Capital Buffer Rule

The Basel III Capital Rules require banking institutions to maintain a capital conservation buffer, composed of CET1 capital, above the regulatory minimum ratios. Under the Federal Reserve’s final rule to implement the stress capital buffer requirement (“Stress Capital Buffer Rule”), the Company’s “standardized approach capital conservation buffer” includes its stress capital buffer requirement (as described below), any G-SIB Surcharge (which is not applicable to us) and the countercyclical capital buffer requirement (which is currently set at 0%). Any determination to increase the countercyclical capital buffer generally would be effective twelve months after the announcement of such an increase, unless the Federal Reserve, OCC and the Federal Deposit Insurance Corporation (“FDIC”), hereafter collectively referred to as the “Federal Banking Agencies,” set an earlier effective date.

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

Based on the Company's 2023 supervisory stress test results, the Company's stress capital buffer requirement for the period beginning on October 1, 2023 through September 30, 2024 was 4.8%. 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 were 9.3%, 10.8% and 12.8%, respectively, for the period from October 1, 2023 through September 30, 2024.

Based on the Company's 2024 supervisory stress test results, the Company's stress capital buffer requirement for the period beginning on October 1, 2024 through September 30, 2025 is 5.5%. Therefore, the Company's minimum capital requirements plus the standardized approach capital conservation buffer for CET1 capital, Tier 1 capital and total capital ratios under the stress capital buffer framework are 10.0%, 11.5% and 13.5%, respectively, for the period from October 1, 2024 through September 30, 2025.

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

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

As of September 30, 2024 and December 31, 2023, respectively, the Company and the Bankeach exceeded the minimum capital requirements and the capital conservation buffer requirements applicable to them, and the Company and the Bank were each "well-capitalized." The "well-capitalized" standards applicable to the Company are established in the Federal Reserve's regulations, and the "well-capitalized" standards applicable to the Bank are established in the OCC's PCA capital requirements.

CECL Transition Rule

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

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

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

As of December 31, 2021, we added back an aggregate amount of $2.4 billion to our regulatory capital pursuant to the CECL Transition Rule. Consistent with the rule, we have phased in 75% of this amount as of January 1, 2024. The remaining $600 million will be phased in on January 1, 2025. As of September 30, 2024, the Company's CET1 capital ratio, reflecting the

CECL Transition Rule, was 13.6% and would have been 13.4% excluding the impact of the CECL Transition Rule (or "on a fully phased-in basis").

Market Risk Rule

The "Market Risk Rule" supplements the Basel III Capital Rules by requiring institutions subject to the rule to adjust their risk-based capital ratios to reflect the market risk in their trading book. The Market Risk Rule generally applies to institutions with aggregate trading assets and liabilities equal to 10% or more of total assets or $1 billion or more. As of September 30, 2024, the Company and the Bank are subject to the Market Risk Rule. See "Market Risk Profile" below for additional information.

For the description of the regulatory capital rules to which we are subject, including recent proposed amendments to these rules under the Basel III Finalization Proposal, see "Part I—Item 1. Business—Supervision and Regulation" in our 2023 Form 10-K.

Table 13 provides a comparison of our regulatory capital ratios under the Basel III standardized approach, the regulatory minimum capital adequacy ratios and the applicable well-capitalized standards as of September 30, 2024 and December 31, 2023.

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

	September 30, 2024			December 31, 2023		
	Ratio	Minimum Capital Adequacy	Well-Capitalized	Ratio	Minimum Capital Adequacy	Well-Capitalized
Capital One Financial Corp:						
Common equity Tier 1 capital[(3)]	**13.6 %**	**4.5 %**	**N/A**	12.9 %	4.5 %	N/A
Tier 1 capital[(4)]	**14.9**	**6.0**	**6.0 %**	14.2	6.0	6.0 %
Total capital[(5)]	**16.6**	**8.0**	**10.0**	16.0	8.0	10.0
Tier 1 leverage[(6)]	**11.6**	**4.0**	**N/A**	11.2	4.0	N/A
Supplementary leverage[(7)]	**9.9**	**3.0**	**N/A**	9.6	3.0	N/A
CONA:						
Common equity Tier 1 capital[(3)]	**14.0**	**4.5**	**6.5**	13.1	4.5	6.5
Tier 1 capital[(4)]	**14.0**	**6.0**	**8.0**	13.1	6.0	8.0
Total capital[(5)]	**15.6**	**8.0**	**10.0**	14.3	8.0	10.0
Tier 1 leverage[(6)]	**10.9**	**4.0**	**5.0**	10.3	4.0	5.0
Supplementary leverage[(7)]	**9.3**	**3.0**	**N/A**	8.8	3.0	N/A

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

(2) Ratios as of September 30, 2024 are preliminary and therefore subject to change until we file our September 30, 2024 Form FR Y-9C—Consolidated Financial Statements for Holding Companies and Call Reports.

(3) Common equity Tier 1 capital ratio is a regulatory capital measure calculated based on common equity Tier 1 capital divided by risk-weighted assets.

(4) Tier 1 capital ratio is a regulatory capital measure calculated based on Tier 1 capital divided by risk-weighted assets.

(5) Total capital ratio is a regulatory capital measure calculated based on total capital divided by risk-weighted assets.

(6) Tier 1 leverage ratio is a regulatory capital measure calculated based on Tier 1 capital divided by adjusted average assets.

(7) Supplementary leverage ratio is a regulatory capital measure calculated based on Tier 1 capital divided by total leverage exposure.

Table 14 presents regulatory capital under the Basel III standardized approach and regulatory capital metrics as of September 30, 2024 and December 31, 2023.

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

(Dollars in millions)	September 30, 2024	December 31, 2023
Regulatory capital under Basel III standardized approach		
Common equity excluding AOCI	**$ 64,966**	$ 62,710
Adjustments and deductions:		
AOCI, net of tax[1]	**58**	27
Goodwill, net of related deferred tax liabilities	**(14,816)**	(14,811)
Other intangible and deferred tax assets, net of deferred tax liabilities	**(252)**	(311)
Common equity Tier 1 capital	**49,956**	47,615
Tier 1 capital instruments	**4,845**	4,845
Tier 1 capital	**54,801**	52,460
Tier 2 capital instruments	**1,612**	1,936
Qualifying allowance for credit losses	**4,738**	4,728
Tier 2 capital	**6,350**	6,664
Total capital	**$ 61,151**	$ 59,124
Regulatory capital metrics		
Risk-weighted assets	**$ 368,199**	$ 369,206
Adjusted average assets[2]	**473,146**	467,553
Total leverage exposure[3]	**553,624**	546,909

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(1) Excludes certain components of AOCI in accordance with rules applicable to Category III institutions. See “Capital Management—Capital Standards and Prompt Corrective Action—Basel III and U.S. Capital Rules” in this Report.

(2) Includes on-balance sheet asset adjustments subject to deduction from Tier 1 capital under the Basel III Capital Rules.

(3) Reflects on- and off-balance sheet amounts for the denominator of the supplementary leverage ratio as set forth by the Basel III Capital Rules.

Capital Planning and Regulatory Stress Testing

We repurchased $150 million of shares of our common stock during the third quarter of 2024 and$403 million of shares of our common stock during the first nine months of 2024.

On August 28, 2024, the Federal Reserve confirmed and announced individual stress capital buffer requirements for all large banking institutions, including the Company.The Company’s final stress capital buffer requirement for the period beginning on October 1, 2024 through September 30, 2025 is 5.5%. Therefore, the Company’s minimum capital requirements plus the standardized approach capital conservation buffer for CET1 capital, Tier 1 capital and total capital ratios under the stress capital buffer framework are 10.0%, 11.5% and 13.5%, respectively, for the period from October 1, 2024 through September 30, 2025.

For the description of the regulatory capital planning rules and stress testing requirements to which we are subject, see “Part I—Item 1. Business—Supervision and Regulation” in our 2023 Form 10-K.

The Federal Reserve’s capital plan rule provides that if a BHC determines there has been or will be a material change in its risk profile, financial condition, or corporate structure since it last submitted the capital plan, it must update and resubmit its capital plan within 30 calendar days, subject to a potential 60-day extension. We determined that our proposed acquisition of Discover constitutes a material change and submitted an updated capital plan as required by the capital plan rule. The capital plan rule further provides that upon the occurrence of an event requiring resubmission, a BHC may not make any capital distribution unless it has received approval of the Federal Reserve. Accordingly, all our capital distributions are now subject to the prior approval of the Federal Reserve pending the Federal Reserve’s consideration of our resubmitted capital plan. We have received prior approval of the Federal Reserve to make certain capital distributions.

Dividend Policy and Stock Purchases

In the first nine months of 2024, we declared and paid common stock dividends of $705 million, or $1.80 per share, and preferred stock dividends of $171 million. Pursuant to the terms of the Merger Agreement, we are restricted from paying quarterly cash dividends on our common stock in excess of $0.60 per share per quarter until the Transaction is completed or the Merger Agreement is terminated.

The following table summarizes the dividends paid per share on our various preferred stock series in the first nine months of 2024.

Table 15: Preferred Stock Dividends Paid Per Share

Series	Description	Issuance Date	Per Annum Dividend Rate	Dividend Frequency	2024 Q3	2024 Q2	2024 Q1
Series I	5.000% Non-Cumulative	September 11, 2019	5.000%	Quarterly	**$12.50**	$12.50	$12.50
Series J	4.800% Non-Cumulative	January 31, 2020	4.800	Quarterly	**12.00**	12.00	12.00
Series K	4.625% Non-Cumulative	September 17, 2020	4.625	Quarterly	**11.56**	11.56	11.56
Series L	4.375% Non-Cumulative	May 4, 2021	4.375	Quarterly	**10.94**	10.94	10.94
Series M	3.950% Fixed Rate Reset Non-Cumulative	June 10, 2021	3.950% through 8/31/2026; resets 9/1/2026 and every subsequent 5 year anniversary at 5-Year Treasury Rate +3.157%	Quarterly	**9.88**	9.88	9.88
Series N	4.250% Non-Cumulative	July 29, 2021	4.250	Quarterly	**10.63**	10.63	10.63

The declaration and payment of dividends to our stockholders, as well as the amount thereof, are subject to the discretion of our Board of Directors and depend upon our results of operations, financial condition, capital levels, cash requirements, future prospects, regulatory requirements and other factors deemed relevant by the Board of Directors. For additional information related to capital distributions as a result of the capital plan resubmission, see "Capital Management—Capital Planning and Regulatory Stress Testing" in this Report.

As a BHC, our ability to pay dividends is largely dependent upon the receipt of dividends or other payments from our subsidiaries. The Bank is subject to regulatory restrictions that limit its ability to transfer funds to our BHC. As of September 30, 2024, funds available for dividend payments from the Bank were $9.2 billion. There can be no assurance that we will declare and pay any dividends to stockholders.

We repurchased $150 million of shares of our common stock during the third quarter of 2024 and $403 million of shares of our common stock during the first nine months of 2024. 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. The Board authorized stock repurchase program does not include specific price targets, may be executed through open market purchases, tender offers, or privately negotiated transactions, including utilizing Rule 10b5-1 programs, does not have a set expiration date and may be suspended at any time. For additional information on dividends and stock repurchases, see "Capital Management—Capital Planning and Regulatory Stress Testing," and "Part II—Item 2. Unregistered Sales of Equity Securities and Use of Proceeds" in this Report and "Part I—Item 1. Business—Supervision and Regulation—Prudential Regulation of Banking—Funding and Dividends from Subsidiaries" in our 2023 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.

	First Line Identifies and Owns Risk	**Second Line** Advises & Challenges First Line	**Third Line** Provides Independent Assurance
Definition	Business areas that are accountable for risk and responsible for: i) generating revenue or reducing expenses; ii) supporting the business to provide products or services to customers; or iii) providing technology services for the first line.	Independent Risk Management ("IRM") and Support Functions (e.g., Human Resources, Accounting, Legal) that provide support services to the Company.	Internal Audit and Credit Review.
Key Responsibilities	Identify, assess, measure, monitor, control, and report the risks associated with their business.	IRM: Independently oversees and assesses risk taking activities for the first line of defense. Support Functions: Centers of specialized expertise that provide support services to the enterprise.	Provides independent and objective assurance to the Board of Directors and senior management that the systems and governance processes are designed and working as intended.

Our Framework sets consistent expectations for risk management across the Company and 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 “Part II—Item 7. MD&A—Risk Management” in our 2023 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 “Part II—Item 7. MD&A—Risk Management” in our 2023 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 policies 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 "Consolidated Balance Sheets Analysis—Investment Securities" and "Part I—Item 1. Financial Statements—Note 3—Investment Securities" as well as credit risk related to derivative transactions in "Part I— Item 1. Financial Statements—Note 9—Derivative Instruments and Hedging Activities."

Portfolio and Geographic Composition of Loans Held for Investment

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 $96 million and $854 million as of September 30, 2024 and December 31, 2023, respectively.

Table 16 presents the composition of our portfolio of loans held for investment by portfolio segment as of September 30, 2024 and December 31, 2023.

Table 16: Portfolio Composition of Loans Held for Investment

	September 30, 2024		December 31, 2023	
(Dollars in millions)	**Loans**	**% of Total**	**Loans**	**% of Total**
Credit Card:				
Domestic credit card	**$ 149,400**	**46.6 %**	$ 147,666	46.1 %
International card businesses	**7,251**	**2.3**	6,881	2.1
Total credit card	**156,651**	**48.9**	154,547	48.2
Consumer Banking:				
Auto	**75,505**	**23.6**	74,075	23.1
Retail banking	**1,253**	**0.4**	1,362	0.5
Total consumer banking	**76,758**	**24.0**	75,437	23.6
Commercial Banking:				
Commercial and multifamily real estate	**32,199**	**10.0**	34,446	10.7
Commercial and industrial	**54,635**	**17.1**	56,042	17.5
Total commercial banking	**86,834**	**27.1**	90,488	28.2
Total loans held for investment	**$ 320,243**	**100.0 %**	$ 320,472	100.0 %

Geographic Composition

We market our credit card products throughout the United States, the United Kingdom and Canada. 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 September 30, 2024 and December 31, 2023.

Table 17: Credit Card Portfolio by Geographic Region

	September 30, 2024		December 31, 2023	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Domestic credit card:				
California	**$ 15,327**	**9.8 %**	$ 15,167	9.8%
Texas	**12,879**	**8.2**	12,318	8.0
Florida	**11,481**	**7.3**	11,148	7.2
New York	**9,655**	**6.2**	9,578	6.2
Pennsylvania	**6,030**	**3.9**	5,824	3.8
Illinois	**5,710**	**3.6**	5,581	3.6
Ohio	**5,077**	**3.2**	4,845	3.1
New Jersey	**4,920**	**3.1**	4,702	3.0
Georgia	**4,789**	**3.1**	4,606	3.0
North Carolina	**4,283**	**2.7**	4,088	2.6
Other	**69,249**	**44.3**	69,809	45.2
Total domestic credit card	**149,400**	**95.4**	147,666	95.5
International card businesses:				
United Kingdom	**4,109**	**2.6**	3,639	2.4
Canada	**3,142**	**2.0**	3,242	2.1
Total international card businesses	**7,251**	**4.6**	6,881	4.5
Total credit card	**$ 156,651**	**100.0 %**	$ 154,547	100.0%

Our auto loan portfolio is geographically diversified in the United States due to our product and marketing approach. Retail banking includes small business loans and other consumer lending products originated through our branch and café network. The table below presents the geographic profile of our auto loan and retail banking portfolios as of September 30, 2024 and December 31, 2023.

Table 18: Consumer Banking Portfolio by Geographic Region

	September 30, 2024		December 31, 2023	
(Dollars in millions)	Amount	% of Total	Amount	% of Total
Auto:				
Texas	**$ 9,189**	**12.0 %**	$ 9,020	11.9 %
California	**8,747**	**11.4**	8,747	11.6
Florida	**6,742**	**8.8**	6,488	8.6
Pennsylvania	**3,342**	**4.4**	3,215	4.3
Ohio	**3,316**	**4.3**	3,130	4.1
Illinois	**3,066**	**4.0**	2,988	4.0
Georgia	**2,917**	**3.8**	2,971	3.9
New Jersey	**2,657**	**3.5**	2,626	3.5
Other	**35,529**	**46.2**	34,890	46.3
Total auto	**75,505**	**98.4**	74,075	98.2
Retail banking:				
New York	**380**	**0.5**	417	0.6
Texas	**281**	**0.4**	297	0.4
Louisiana	**202**	**0.2**	234	0.3
New Jersey	**84**	**0.1**	94	0.1
Maryland	**73**	**0.1**	81	0.1
Virginia	**53**	**0.1**	54	0.1
Other	**180**	**0.2**	185	0.2
Total retail banking	**1,253**	**1.6**	1,362	1.8
Total consumer banking	**$ 76,758**	**100.0 %**	$ 75,437	100.0 %

We originate commercial and multifamily real estate loans in most regions of the United States. The table below presents the geographic profile of our commercial real estate portfolio as of September 30, 2024 and December 31, 2023.

Table 19: Commercial Real Estate Portfolio by Region

	September 30, 2024		December 31, 2023	
(Dollars in millions)	**Amount**	**% of Total**	**Amount**	**% of Total**
Geographic concentration:[(1)]				
Northeast	**$ 12,597**	**39.1 %**	$ 13,931	40.5 %
South	**7,732**	**24.0**	7,073	20.5
Pacific West	**4,658**	**14.5**	5,342	15.5
Mid-Atlantic	**2,811**	**8.7**	4,138	12.0
Mountain	**2,248**	**7.0**	1,910	5.5
Midwest	**2,153**	**6.7**	2,052	6.0
Total	**$ 32,199**	**100.0 %**	$ 34,446	100.0 %

(1) Geographic concentration is generally determined by the location of the borrower's business or the location of the collateral associated with the loan. Northeast consists of CT, MA, ME, NH, NJ, NY, PA, RI and VT. South consists of AL, AR, FL, GA, KY, LA, MS, NC, OK, SC, TN and TX. Pacific West consists of: AK, CA, HI, OR and WA. Mid-Atlantic consists of DC, DE, MD, VA and WV. Midwest consists of: IA, IL, IN, KS, MI, MN, MO, ND, NE, OH, SD and WI. Mountain consists of: AZ, CO, ID, MT, NM, NV, UT and WY.

Commercial Loans by Industry

Table 20 summarizes our commercial loans held for investment portfolio by industry classification as of September 30, 2024 and December 31, 2023. Industry classifications below are based on our interpretation of the Federal Loan Classification codes as they pertain to each individual loan.

Table 20: Commercial Loans by Industry

(Percentage of portfolio)	September 30, 2024	December 31, 2023
Industry Classification:		
Finance	**32%**	31 %
Real Estate & Construction[1]	**28**	30
Government & Education	**9**	8
Health Care & Pharmaceuticals	**6**	6
Commercial Services	**4**	4
Technology, Telecommunications & Media	**3**	2
Oil, Gas & Pipelines	**3**	3
Other	**15**	16
Total	**100 %**	100 %

(1) The funded balance for commercial office real estate held for investment totaled $2.0 billion, or 2.3% and $2.3 billion, or 2.5%, as of September 30, 2024 and December 31, 2023, respectively. Commercial office real estate exposure does not include loans in our healthcare real estate business secured by medical office properties and loans to office real estate investment trusts or real estate investment funds.

Credit Risk Measurement

We closely monitor economic conditions and loan performance trends to assess and manage our exposure to credit risk. Trends in delinquency rates are the key credit quality indicator for our credit card and retail banking loan portfolios as changes in delinquency rates can provide an early warning of changes in potential future credit losses. The key indicator we monitor when assessing the credit quality and risk of our auto loan portfolio is borrower credit scores as they provide insight into borrower risk profiles, which give indications of potential future credit losses. The key credit quality indicator for our commercial loan portfolios is our internal risk ratings as we generally classify loans that have been delinquent for an extended period of time and other loans with significant risk of loss as nonperforming. In addition to these credit quality indicators, we also manage and monitor other credit quality metrics such as level of nonperforming loans and net charge-off rates.

We underwrite most consumer loans using proprietary models, which typically include credit bureau data, such as borrower credit scores, application information and, where applicable, collateral and deal structure data. We continuously adjust our management of credit lines and collection strategies based on customer behavior and risk profile changes. We also use borrower credit scores for subprime classification, for competitive benchmarking and, in some cases, to drive product segmentation decisions.

Table 21 provides details on the credit scores of our domestic credit card and auto loan portfolios as of September 30, 2024 and December 31, 2023.

Table 21: Credit Score Distribution

(Percentage of portfolio)	**September 30, 2024**	**December 31, 2023**
Domestic credit card—Refreshed FICO scores:[1]		
Greater than 660	**69 %**	68 %
660 or below	**31**	32
Total	**100 %**	100 %
Auto—At origination FICO scores:[2]		
Greater than 660	**53 %**	53 %
621 - 660	**20**	20
620 or below	**27**	27
Total	**100 %**	100 %

(1) Percentages represent period-end loans held for investment in each credit score category. Domestic Card credit scores generally represent Fair Isaac Corporation ("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.

In our commercial loan portfolio, 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.

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 "Part I—Item 1. Financial Statements—Note 4—Loans" for additional credit quality information and see "Part II—Item 8. Financial Statements—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K for information on our accounting policies for delinquent and nonperforming loans, charge-offs and loan modifications and restructurings for each of our loan categories.

Delinquency Rates

We consider the entire balance of an account to be delinquent if the minimum required payment is not received by the customer's due date, measured at each balance sheet date. Our 30+ day delinquency metrics include all loans held for investment that are 30 or more days past due, whereas our 30+ day performing delinquency metrics include all loans held for investment that are 30 or more days past due but are currently classified as performing and accruing interest. The 30+ day delinquency and 30+ day performing delinquency metrics are the same for domestic credit card loans, as we continue to classify these loans as performing until the account is charged off, typically when the account is 180 days past due. See "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 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 "Business Segment Financial Performance."

Table 22 presents our 30+ day performing delinquency rates and 30+ day delinquency rates of our portfolio of loans held for investment, by portfolio segment, as of September 30, 2024 and December 31, 2023.

Table 22: 30+ Day Delinquencies

	September 30, 2024				December 31, 2023			
	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	**$ 6,767**	**4.53 %**	**$ 6,767**	**4.53 %**	$ 6,806	4.61 %	$ 6,806	4.61 %
International card businesses	**329**	**4.53**	**337**	**4.65**	321	4.67	329	4.77
Total credit card	**7,096**	**4.53**	**7,104**	**4.54**	7,127	4.61	7,135	4.62
Consumer Banking:								
Auto	**4,237**	**5.61**	**4,823**	**6.39**	4,696	6.34	5,307	7.16
Retail banking	**11**	**0.95**	**24**	**1.92**	17	1.19	33	2.40
Total consumer banking	**4,248**	**5.53**	**4,847**	**6.31**	4,713	6.25	5,340	7.08
Commercial Banking:								
Commercial and multifamily real estate	**1**	**—**	**183**	**0.57**	—	—	121	0.35
Commercial and industrial	**131**	**0.24**	**315**	**0.58**	55	0.10	181	0.32
Total commercial banking	**132**	**0.15**	**498**	**0.57**	55	0.06	302	0.33
Total	**$ 11,476**	**3.58**	**$ 12,449**	**3.89**	$ 11,895	3.71	$ 12,777	3.99

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

Table 23 presents our 30+ day delinquent loans held for investment, by aging and geography, as of September 30, 2024 and December 31, 2023.

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

	September 30, 2024		December 31, 2023	
(Dollars in millions)	Amount	Rate[(1)]	Amount	Rate[(1)]
Delinquency status:				
30 – 59 days	**$ 5,234**	**1.64 %**	$ 5,367	1.68 %
60 – 89 days	**3,072**	**0.96**	3,119	0.97
≥ 90 days	**4,143**	**1.29**	4,291	1.34
Total	**$ 12,449**	**3.89 %**	$ 12,777	3.99 %
Geographic region:				
Domestic	**$ 12,112**	**3.78 %**	$ 12,448	3.89 %
International	**337**	**0.11**	329	0.10
Total	**$ 12,449**	**3.89 %**	$ 12,777	3.99 %

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

Table 24 summarizes loans that were 90+ days delinquent, in regards to interest or principal payments, and still accruing interest as of September 30, 2024 and December 31, 2023. These loans consist primarily of credit card accounts between 90 days and 179 days past due. As permitted by regulatory guidance issued by the FFIEC, we continue to accrue interest and fees on domestic credit card loans through the date of charge off, which is typically in the period the account becomes 180 days past due.

Table 24: 90+ Day Delinquent Loans Accruing Interest

	September 30, 2024		December 31, 2023	
(Dollars in millions)	Amount	Rate[(1)]	Amount	Rate[(1)]
Loan category:				
Credit card	**$ 3,456**	**2.21 %**	$ 3,499	2.26 %
Commercial banking	**—**	**—**	55	0.06
Total	**$ 3,456**	**1.08**	$ 3,554	1.11
Geographic region:				
Domestic	**$ 3,316**	**1.06 %**	$ 3,422	1.09 %
International	**140**	**1.93**	132	1.91
Total	**$ 3,456**	**1.08**	$ 3,554	1.11

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

Nonperforming Loans and Nonperforming Assets

Nonperforming loans include loans that have been placed on nonaccrual status. Nonperforming assets consist of nonperforming loans, repossessed assets and other foreclosed assets. See "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K for information on our policies for classifying loans as nonperforming for each of our loan categories.

Table 25 presents our nonperforming loans, by portfolio segment, and other nonperforming assets as of September 30, 2024 and December 31, 2023. We do not classify loans held for sale as nonperforming. We provide additional information on our credit quality metrics in "Business Segment Financial Performance."

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

	September 30, 2024		December 31, 2023	
(Dollars in millions)	Amount	Rate	Amount	Rate
Nonperforming loans held for investment:[(2)]				
Credit Card:				
International card businesses	**$ 11**	**0.15 %**	$ 9	0.13 %
Total credit card	**11**	**0.01**	9	0.01
Consumer Banking:				
Auto	**685**	**0.91**	712	0.96
Retail banking	**27**	**2.19**	46	3.36
Total consumer banking	**712**	**0.93**	758	1.00
Commercial Banking:				
Commercial and multifamily real estate	**630**	**1.96**	425	1.23
Commercial and industrial	**718**	**1.32**	336	0.60
Total commercial banking	**1,348**	**1.55**	761	0.84
Total nonperforming loans held for investment[(3)]	**2,071**	**0.65**	1,528	0.48
Other nonperforming assets[(4)]	**67**	**0.02**	62	0.02
Total nonperforming assets	**$ 2,138**	**0.67**	$ 1,590	0.50

(1) We recognized interest income for loans classified as nonperforming of $70 million and $47 million in the first nine months of 2024 and 2023, respectively.

(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 1.21% and 0.88% as of September 30, 2024 and December 31, 2023, respectively.

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

Net Charge-Offs

Net charge-offs consist of the amortized cost basis, excluding accrued interest, of loans held for investment that we determine to be uncollectible, net of recovered amounts. We charge off loans as a reduction to the allowance for credit losses when we determine the loan is uncollectible and record subsequent recoveries of previously charged off amounts as increases to the allowance for credit losses. Uncollectible finance charges and fees are reversed through revenue and certain fraud losses are recorded in other non-interest expense. Generally, costs to recover charged off loans are recorded as collection expenses as incurred and are included in our consolidated statements of income as a component of other non-interest expense. Our charge-off policy for loans varies based on the loan type. See "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K for information on our charge-off policy for each of our loan categories.

Table 26 presents our net charge-off amounts and rates, by portfolio segment, in the third quarter and first nine months of 2024 and 2023.

Table 26: Net Charge-Offs

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
(Dollars in millions)	**Amount**	**Rate[(1)]**	**Amount**	**Rate[(1)]**	**Amount**	**Rate[(1)]**	**Amount**	**Rate[(1)]**
Credit Card:								
Domestic credit card[(2)]	**$ 2,063**	**5.61 %**	$ 1,512	4.40 %	**$ 6,356**	**5.86 %**	$ 4,262	4.28 %
International card businesses	**91**	**5.23**	80	4.87	**263**	**5.14**	227	4.80
Total credit card	**2,154**	**5.60**	1,592	4.42	**6,619**	**5.83**	4,489	4.30
Consumer Banking:								
Auto	**384**	**2.05**	335	1.77	**1,086**	**1.95**	898	1.57
Retail banking	**17**	**5.43**	14	3.80	**48**	**4.94**	37	3.33
Total consumer banking	**401**	**2.11**	349	1.81	**1,134**	**2.00**	935	1.60
Commercial Banking:								
Commercial and multifamily real estate	**20**	**0.26**	24	0.27	**47**	**0.19**	404	1.46
Commercial and industrial	**29**	**0.20**	34	0.24	**64**	**0.15**	53	0.13
Total commercial banking	**49**	**0.22**	58	0.25	**111**	**0.17**	457	0.66
Total net charge-offs	**$ 2,604**	**3.27**	$ 1,999	2.56	**$ 7,864**	**3.32**	$ 5,881	2.53
Average loans held for investment	**$ 318,255**		$ 312,759		**$ 315,927**		$ 310,075	

(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.

(2) The Walmart Program Termination increased the Domestic Card net charge-off rate by 38 bps and 19 bps in the third quarter and nine months ended September 30, 2024, respectively.

Financial Difficulty Modifications to Borrowers

A financial difficulty modification ("FDM") occurs when a modification in the form of principal forgiveness, interest rate reduction, an other-than-insignificant payment delay, a term extension or a combination of these modifications is granted to a borrower experiencing financial difficulty.

As part of our loss mitigation efforts, we may provide short-term (one to twelve months) or long-term (greater than twelve months) modifications to a borrower experiencing financial difficulty to improve long-term collectability of the loan and to avoid the need for repossession or foreclosure of collateral.

We consider the impact of all loan modifications, including FDMs, when estimating the credit quality of our loan portfolio and establishing allowance levels. For our Commercial Banking customers, loan modifications are also considered in the assignment of an internal risk rating.

In our Credit Card business, the majority of our FDMs receive an interest rate reduction and are placed on a fixed payment plan not exceeding 60 months. If the customer does not comply with the modified payment terms, then the credit card loan agreement may revert to its original payment terms, generally resulting in any loan outstanding being reflected in the appropriate delinquency category and charged off in accordance with our standard charge-off policy.

In our Consumer Banking business, the majority of our FDMs receive an extension, an interest rate reduction, principal reduction, or a combination of these modifications.

In our Commercial Banking business, the majority of our FDMs receive an extension. A portion of FDMs receive an interest rate reduction, principal reduction, or a combination of modifications.

For more information on FDMs, see "Item 1. Financial Statements—Note 4—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 "Part II—Item 8.Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K.

Table 27 presents changes in our allowance for credit losses and reserve for unfunded lending commitments for the third quarter and first nine months of 2024 and 2023, and details by portfolio segment for the provision for credit losses, charge-offs and recoveries.

Table 27: Allowance for Credit Losses and Reserve for Unfunded Lending Commitments Activity

	Three Months Ended September 30, 2024							
	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 June 30, 2024	$ 12,560	$ 480	$ 13,040	$ 2,037	$ 28	$ 2,065	$ 1,544	$ 16,649
Charge-offs	**(2,501)**	**(131)**	**(2,632)**	**(684)**	**(23)**	**(707)**	**(88)**	**(3,427)**
Recoveries[1]	**438**	**40**	**478**	**300**	**6**	**306**	**39**	**823**
Net charge-offs	**(2,063)**	**(91)**	**(2,154)**	**(384)**	**(17)**	**(401)**	**(49)**	**(2,604)**
Provision for credit losses	**1,997**	**87**	**2,084**	**335**	**16**	**351**	**35**	**2,470**
Allowance release for credit losses	**(66)**	**(4)**	**(70)**	**(49)**	**(1)**	**(50)**	**(14)**	**(134)**
Other changes[2]	**—**	**19**	**19**	**—**	**—**	**—**	**—**	**19**
Balance as of September 30, 2024	**12,494**	**495**	**12,989**	**1,988**	**27**	**2,015**	**1,530**	**16,534**
Reserve for unfunded lending commitments:								
Balance as of June 30, 2024	—	—	—	—	—	—	129	129
Provision for losses on unfunded lending commitments	**—**	**—**	**—**	**—**	**—**	**—**	**13**	**13**
Balance as of September 30, 2024	**—**	**—**	**—**	**—**	**—**	**—**	**142**	**142**
Combined allowance and reserve as of September 30, 2024	**$ 12,494**	**$ 495**	**$ 12,989**	**$ 1,988**	**$ 27**	**$ 2,015**	**$ 1,672**	**$ 16,676**

	Nine Months Ended September 30, 2024							
	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, 2023	$ 11,261	$ 448	$ 11,709	$ 2,002	$ 40	$ 2,042	$ 1,545	$ 15,296
Charge-offs	**(7,509)**	**(383)**	**(7,892)**	**(1,941)**	**(62)**	**(2,003)**	**(166)**	**(10,061)**
Recoveries[1]	**1,153**	**120**	**1,273**	**855**	**14**	**869**	**55**	**2,197**
Net charge-offs	**(6,356)**	**(263)**	**(6,619)**	**(1,086)**	**(48)**	**(1,134)**	**(111)**	**(7,864)**
Provision for credit losses	**7,589**	**299**	**7,888**	**1,072**	**35**	**1,107**	**96**	**9,091**
Allowance build (release) for credit losses [3]	**1,233**	**36**	**1,269**	**(14)**	**(13)**	**(27)**	**(15)**	**1,227**
Other changes[2]	**—**	**11**	**11**	**—**	**—**	**—**	**—**	**11**
Balance as of September 30, 2024	**12,494**	**495**	**12,989**	**1,988**	**27**	**2,015**	**1,530**	**16,534**
Reserve for unfunded lending commitments:								
Balance as of December 31, 2023	—	—	—	—	—	—	158	158
Provision (benefit) for losses on unfunded lending commitments	**—**	**—**	**—**	**—**	**—**	**—**	**(16)**	**(16)**
Balance as of September 30, 2024	**—**	**—**	**—**	**—**	**—**	**—**	**142**	**142**
Combined allowance and reserve as of September 30, 2024	**$ 12,494**	**$ 495**	**$ 12,989**	**$ 1,988**	**$ 27**	**$ 2,015**	**$ 1,672**	**$ 16,676**

	Three Months Ended September 30, 2023							
	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 June 30, 2023	$ 10,576	$ 400	$ 10,976	$ 2,150	$ 35	$ 2,185	$ 1,485	$ 14,646
Charge-offs	(1,811)	(114)	(1,925)	(579)	(17)	(596)	(60)	(2,581)
Recoveries[1]	299	34	333	244	3	247	2	582
Net charge-offs	(1,512)	(80)	(1,592)	(335)	(14)	(349)	(58)	(1,999)
Provision for credit losses	1,861	92	1,953	198	15	213	155	2,321
Allowance build (release) for credit losses	349	12	361	(137)	1	(136)	97	322
Other changes[2]	—	(13)	(13)	—	—	—	—	(13)
Balance as of September 30, 2023	10,925	399	11,324	2,013	36	2,049	1,582	14,955
Reserve for unfunded lending commitments:								
Balance as of June 30, 2023	—	—	—	—	—	—	197	197
Provision (benefit) for losses on unfunded lending commitments	—	—	—	—	—	—	(39)	(39)
Balance as of September 30, 2023	—	—	—	—	—	—	158	158
Combined allowance and reserve as of September 30, 2023	$ 10,925	$ 399	$ 11,324	$ 2,013	$ 36	$ 2,049	$ 1,740	$ 15,113

	Nine Months Ended September 30, 2023							
	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, 2022	$ 9,165	$ 380	$ 9,545	$ 2,187	$ 50	$ 2,237	$ 1,458	$ 13,240
Cumulative effects of accounting standards adoption[4]	(40)	(23)	(63)	—	—	—	—	(63)
Balance as of January 1, 2023	9,125	357	9,482	2,187	50	2,237	1,458	13,177
Charge-offs	(5,156)	(325)	(5,481)	(1,602)	(51)	(1,653)	(462)	(7,596)
Recoveries[1]	894	98	992	704	14	718	5	1,715
Net charge-offs	(4,262)	(227)	(4,489)	(898)	(37)	(935)	(457)	(5,881)
Provision for credit losses	6,030	268	6,298	724	23	747	581	7,626
Allowance build (release) for credit losses	1,768	41	1,809	(174)	(14)	(188)	124	1,745
Other changes[2]	32	1	33	—	—	—	—	33
Balance as of September 30, 2023	10,925	399	11,324	2,013	36	2,049	1,582	14,955
Reserve for unfunded lending commitments:								
Balance as of December 31, 2022	—	—	—	—	—	—	218	218
Provision (benefit) for losses on unfunded lending commitments	—	—	—	—	—	—	(60)	(60)
Balance as of September 30, 2023	—	—	—	—	—	—	158	158
Combined allowance and reserve as of September 30, 2023	$ 10,925	$ 399	$ 11,324	$ 2,013	$ 36	$ 2,049	$ 1,740	$ 15,113

(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) Primarily represents foreign currency translation adjustments in the three and nine months ended September 30, 2024 as well as the three months ended September 30, 2023. Primarily represents the initial allowance for purchased credit-deteriorated (“PCD”) loans in the nine months ended September 30, 2023. The initial allowance of PCD loans was $0 million and $32 million for the nine months ended September 30, 2024 and 2023, respectively.

(3) The Walmart Program Termination resulted in an allowance for credit losses build in Domestic Card of $826 million in the second quarter of 2024.

(4) Impact from the adoption of ASU No. 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings (“TDR”) and Vintage Disclosures as of January 1, 2023.

LIQUIDITY RISK PROFILE

We manage our funding and liquidity risk in an integrated manner in support of the current and future cash flow needs of our business. We maintained liquidity reserves of $131.6 billion and $120.7 billion as of September 30, 2024 and December 31, 2023, respectively, as shown in Table 28 below. Included in liquidity reserves are cash and cash equivalents, investment securities and FHLB borrowing capacity secured by loans.

As of September 30, 2024, we had available issuance capacity of $41.0 billion under shelf registrations associated with our credit card and auto loan securitization programs. We also maintain a shelf registration that enables us to issue an indeterminate amount of senior or subordinated debt securities, preferred stock, depositary shares, common stock, purchase contracts, warrants and units. Our ability to issue under each shelf registration is subject to market conditions.

Finally, as of September 30, 2024, we had access to available contingent liquidity sources totaling $105.8 billion through the prepositioning of collateral, including a portion of the investment securities included in the liquidity reserve amount, at the Federal Reserve Discount Window, the Standing Repo Facility, FHLB and the Fixed Income Clearing Corporation—Government Securities Division ("FICC—GSD").

As of September 30, 2024 and December 31, 2023, our funding sources totaled $403.0 billion and $398.3 billion, respectively, primarily composed of consumer deposits, as shown in "Consolidated Balance Sheets Analysis—Funding Sources Composition."

Our liquidity reserves, borrowing capacity, contingent liquidity sources and total funding sources are all discussed in more detail in the following sections.

Table 28 below presents the composition of our liquidity reserves as of September 30, 2024 and December 31, 2023.

Table 28: Liquidity Reserves

(Dollars in millions)	**September 30, 2024**	**December 31, 2023**
Cash and cash equivalents	**$ 49,298**	$ 43,297
Securities available for sale[1]	**83,500**	79,117
FHLB borrowing capacity secured by loans	**4,818**	5,205
Outstanding FHLB advances and letters of credit secured by loans and investment securities	**(48)**	(50)
Other encumbrances of investment securities	**(5,946)**	(6,917)
Total liquidity reserves	**$ 131,622**	$ 120,652

[1] Includes securities that have been pledged or otherwise encumbered within the above Liquidity Reserves line items "Outstanding FHLB advances and letters of credit secured by loans and investment securities" and "Other encumbrances of investment securities."

Our liquidity reserves increased by $11.0 billion to $131.6 billion as of September 30, 2024 from December 31, 2023, primarily due to increases in cash and cash equivalents. In addition to these liquidity reserves, we maintain access to a diversified mix of funding sources as discussed in the "Borrowing Capacity" and "Funding" sections below. See "Part II—Item 7. MD&A—Risk Management" in our 2023 Form 10-K for additional information on our management of liquidity risk.

Liquidity Coverage Ratio

We are subject to the final rules published by the Basel Committee and as implemented by the Federal Reserve and the OCC for the Basel III Liquidity Coverage Ratio ("LCR") in the United States (the "LCR Rule"). The LCR Rule requires each of the Company and the Bank to calculate its respective 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 third quarter of 2024 was 163%, 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 2023 Form 10-K for additional information.

Net Stable Funding Ratio

We are subject to the final rules published by the Basel Committee and as implemented by the Federal Reserve and the OCC for the Basel III Net Stable Funding Ratio ("NSFR") in the United States (the "NSFR Rule"). The NSFR Rule requires each of the Company and the Bank to maintain an NSFR of 100% on an ongoing basis. It also requires the Company to publicly disclose, on a semi-annual basis each second and fourth quarter, its NSFR, certain related quantitative liquidity metrics and qualitative discussion of its NSFR. Our average NSFR for the third quarter of 2024 exceeded the NSFR Rule requirement of 100%. The calculation and the underlying components are based on our interpretations, expectations and assumptions of the 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 2023 Form 10-K for additional information.

Borrowing Capacity

We maintain a shelf registration with the U.S. Securities and Exchange Commission ("SEC") so that we may periodically offer and sell an indeterminate aggregate amount of senior or subordinated debt securities, preferred stock, depositary shares, common stock, purchase contracts, warrants and units. There is no limit under this shelf registration to the amount or number of such securities that we may offer and sell, subject to market conditions. In addition, we also maintain a shelf registration associated with our credit card securitization trust that allows us to periodically offer and sell up to $30.0 billion of securitized debt obligations and a shelf registration associated with our auto loan securitization trusts that allows us to periodically offer and sell up to $25.0 billion of securitized debt obligations. The registered amounts under these shelf registration statements are subject to continuing review and change in the future, including as part of the routine renewal process. As of September 30, 2024, we had $21.6 billion and $19.4 billion of available issuance capacity in our credit card and auto loan securitization programs, respectively.

In addition to our issuance capacity under the shelf registration statements, we also have collateral pledged to support our access to FHLB advances, the Federal Reserve Discount Window, the Standing Repo Facility and FICC—GSD general collateral financing repurchase agreement service. For each of these programs, the ability to borrow utilizing these sources is dependent on meeting the respective membership requirements. Our borrowing capacity in each program is a function of the collateral the Bank has posted with each counterparty, including any respective haircuts applied to that collateral.

As of September 30, 2024, we pledged loans and securities to the FHLB to secure a maximum borrowing capacity of $37.0 billion, of which $48 million was used. Our FHLB membership is supported by our investment in FHLB stock of $18 million as of both September 30, 2024 and December 31, 2023.

As a member of FICC—GSD, we had $21.9 billion of readily available borrowing capacity secured by securities from our investment portfolio as of September 30, 2024. Our FICC—GSD membership is supported by our investment in Depository Trust and Clearing Corporation ("DTCC") common stock of $412 thousand and $375 thousand as of September 30, 2024 and December 31, 2023, respectively.

As of September 30, 2024, we pledged loans to secure a borrowing capacity of $46.9 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 September 30, 2024 and December 31, 2023.

Deposits

Table 29 provides a comparison of average balances, interest expense and average deposits interest rates for the third quarter and first nine months of 2024 and 2023.

Table 29: Deposits Composition and Average Deposits Interest Rates

	Three Months Ended September 30,					
	2024			2023		
(Dollars in millions)	Average Balance	Interest Expense	Average Deposits Interest Rate	Average Balance	Interest Expense	Average Deposits Interest Rate
Interest-bearing checking accounts[1]	**$ 33,936**	**$ 135**	**1.59 %**	$ 40,833	$ 215	2.10 %
Saving deposits[2]	**211,608**	**1,825**	**3.45**	196,030	1,479	3.02
Time deposits	**78,965**	**985**	**4.99**	79,169	917	4.64
Total interest-bearing deposits	**$ 324,509**	**$ 2,945**	**3.63**	$ 316,032	$ 2,611	3.30

	Nine Months Ended September 30,					
	2024			2023		
(Dollars in millions)	Average Balance	Interest Expense	Average Deposits Interest Rate	Average Balance	Interest Expense	Average Deposits Interest Rate
Interest-bearing checking accounts[1]	**$ 34,829**	**$ 421**	**1.61 %**	$ 42,855	$ 620	1.93 %
Saving deposits[2]	**209,030**	**5,299**	**3.38**	197,819	3,762	2.54
Time deposits	**77,997**	**2,911**	**4.98**	72,028	2,362	4.37
Total interest-bearing deposits	**$ 321,856**	**$ 8,631**	**3.58**	$ 312,702	$ 6,744	2.88

(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. The Bank was well-capitalized, as defined under the federal banking regulatory guidelines, as of both September 30, 2024 and December 31, 2023. See "Part I—Item 1. Business—Supervision and Regulation" in our 2023 Form 10-K for additional information. We provide additional information on the composition of deposits in "Consolidated Balance Sheets Analysis—Funding Sources Composition" and in "Part I—Item 1. Financial Statements—Note 8—Deposits and Borrowings."

Funding

Our primary source of funding comes from insured retail deposits, as they are a relatively stable and lower 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 "Consolidated Balance Sheets Analysis—Funding Sources Composition" for additional information on our primary sources of funding.

In the normal course of business, we enter into various contractual obligations that may require future cash payments that affect our short-term and long-term liquidity and capital resource needs. Our future cash outflows primarily relate to deposits, borrowings and operating leases. The actual timing and amounts of future cash payments may vary over time due to a number of factors, such as early debt redemptions and changes in deposit balances.

Short-Term Borrowings and Long-Term Debt

We access the capital markets to meet our funding needs through the issuance of senior and subordinated notes, securitized debt obligations and federal funds purchased and securities loaned or sold under agreements to repurchase. In addition, we have access to short-term and long-term FHLB advances secured by certain investment securities, multifamily real estate loans and commercial real estate loans.

Our short-term borrowings, which include those borrowings with an original contractual maturity of one year or less, typically consist of federal funds purchased, securities loaned or sold under agreements to repurchase or short-term FHLB advances, and do not include the current portion of long-term debt. Our short-term borrowings decreased by $18 million to $520 million as of September 30, 2024 from December 31, 2023 driven bya decrease in repurchase agreements.

Our long-term funding, which primarily consists of securitized debt obligations and senior and subordinated notes,decreased by $502 million to $48.8 billion as of September 30, 2024 from December 31, 2023 primarily driven by net maturities and paydowns of securitized debt obligations, partially offset by net issuances of unsecured senior debt. We provide more information on our securitization activity in “Part I—Item 1. Financial Statements—Note 6—Variable Interest Entities and Securitizations” and on our borrowings in “Part I—Item 1. Financial Statements—Note 8—Deposits and Borrowings.”

The following table summarizes issuances of securitized debt obligations, and senior and subordinated notes, and their respective maturities or redemptions for the third quarter and first nine months of 2024 and 2023.

Table 30: Long-Term Debt Funding Activities

	Issuances		Maturities/Redemptions	
	Three Months Ended September 30,		Three Months Ended September 30,	
(Dollars in millions)	2024	2023	2024	2023
Securitized debt obligations	**$ 1,000**	$ —	**$ 2,622**	$ 452
Senior and subordinated notes	**2,000**	—	**—**	—
Total	**$ 3,000**	$ —	**$ 2,622**	$ 452

	Issuances		Maturities/Redemptions	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2024	2023	2024	2023
Securitized debt obligations	**$ 1,000**	$ 2,450	**$ 3,434**	$ 2,003
Senior and subordinated notes	**4,000**	5,750	**2,911**	4,886
Total	**$ 5,000**	$ 8,200	**$ 6,345**	$ 6,889

Credit Ratings

Our credit ratings impact our ability to access capital markets and our borrowing costs. For more information, see "Part I—Item 1A. Risk Factors" under the heading in our 2023 Form 10-K *"A downgrade in our credit ratings could significantly impact our liquidity, funding costs and access to the capital markets."*

Table 31 provides a summary of the credit ratings for the senior unsecured long-term debt of Capital One Financial Corporation and CONA as of September 30, 2024 and December 31, 2023.

Table 31: Senior Unsecured Long-Term Debt Credit Ratings

	September 30, 2024		December 31, 2023	
	Capital One Financial Corporation	CONA	Capital One Financial Corporation	CONA
Moody's	**Baa1**	**A3**	Baa1	A3
S&P	**BBB**	**BBB+**	BBB	BBB+
Fitch	**A-**	**A**	A-	A

As of October 25, 2024 Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") have our credit ratings on a stable outlook. Following the Company's February 19, 2024 announcement to acquire Discover, Moody's Investors Service ("Moody's") placed our credit ratings on review for a downgrade. Moody's said its review for downgrade may continue until the transaction has been completed.

Other Commitments

In the normal course of business, we enter into other contractual obligations that may require future cash payments that affect our short-term and long-term liquidity and capital resource needs. Our other contractual obligations include lending commitments, leases, purchase obligations and other contractual arrangements.

As of September 30, 2024 and December 31, 2023, our total unfunded lending commitments were $458.9 billion and $441.3 billion, respectively, primarily consisting of credit card lines and loan commitments to customers of both our Commercial Banking and Consumer Banking businesses, as well as standby and commercial letters of credit. We generally manage the potential risk of unfunded lending commitments by limiting the total amount of arrangements, monitoring the size and maturity structure of these portfolios and applying the same credit standards for all of our credit activities. For additional information, refer to "Part I—Item 1. Financial Statements—Note 14—Commitments, Contingencies, Guarantees and Others" in this Report.

Our primary involvement with leases is in the capacity as a lessee where we lease premises to support our business. The majority of our leases are operating leases of office space, retail bank branches and cafés. Our operating leases expire at various dates through 2071, although some have extension or termination options. As of both September 30, 2024 and December 31, 2023, we had $1.5 billion, in aggregate operating lease obligations. We provide more information on our lease activity in "Part II—Item 8. Financial Statements and Supplementary Data—Note 7—Premises, Equipment and Leases" in our 2023 Form 10-K.

We have purchase obligations that represent substantial agreements to purchase goods or receive services such as data management, media and other software and third-party services that are enforceable and legally binding and specify significant terms. As of September 30, 2024 and December 31, 2023, we had $3.8 billion and $789 million, respectively, in aggregate purchase obligations. This increase is mainly due to recently renewed commitments for certain long term purchase obligations for goods and services.

We also enter into various contractual arrangements that may require future cash payments, including short-term obligations such as trade payables, commitments to fund certain equity investments, obligations for pension and post-retirement benefit plans, and representation and warranty reserves. These arrangements are discussed in more detail in "Part I—Item 1. Financial Statements—Note 6—Variable Interest Entities and Securitizations," and "Part I—Item 1. Financial Statements—Note 14—Commitments, Contingencies, Guarantees and Others" in this Report and "Part II—Item 8. Financial Statements and Supplementary Data—Note 14—Employee Benefit Plans" in our 2023 Form 10-K.

MARKET RISK PROFILE

Our primary market risk exposures include interest rate risk, foreign exchange risk and commodity pricing risk. We are exposed to market risk primarily from the following operations and activities:

- Traditional banking activities of deposit gathering and lending;
- Asset/liability management activities including the management of investment securities, short-term and long-term borrowings and derivatives;
- Foreign operations in the U.K. and Canada within our Credit Card business; and
- Customer accommodation activities within our Commercial Banking business.

We have enterprise-wide risk management policies and limits, approved by our Board of Directors, which govern our market risk management activities. Our objective is to manage our exposure to market risk in accordance with these policies and limits based on prevailing market conditions and long-term expectations. We provide additional information below about our primary sources of market risk, our market risk management strategies and the measures that we use to evaluate these exposures.

Interest Rate Risk

Interest rate risk represents exposure to financial instruments whose values vary with the level or volatility of interest rates. We are exposed to interest rate risk primarily from the differences in the timing between the maturities or repricing of assets and liabilities. We manage our interest rate risk primarily by entering into interest rate swaps and other derivative instruments which could include caps, floors, options, futures and forward contracts.

We use various industry standard market risk measurement techniques and analyses to measure, assess and manage the impact of changes in interest rates on our net interest income and our economic value of equity and changes in foreign exchange rates on our non-dollar-denominated funding and non-dollar equity investments in foreign operations.

Net Interest Income Sensitivity

Our net interest income sensitivity measure estimates the impact of hypothetical instantaneous movements in interest rates relative to our baseline interest rate forecast on our projected 12-month net interest income. Net interest income sensitivity metrics are derived using the following key assumptions:

- As of September 30, 2024, our metrics assume a market implied baseline interest rate projection for the upper limit of the Federal Funds Target Rate of 4.25% and 3.00% at December 31, 2024 and December 31, 2025, respectively.
- In addition to our existing assets, liabilities and derivative positions, we incorporate expected future business growth assumptions. These assumptions include loan and deposit growth, pricing, plans for projected changes in our funding mix and our securities and cash position from our internal corporate outlook that is used in our financial planning process.
- The analysis assumes this forecast of expected future business growth remains unchanged between the baseline rate forecast and rate shock scenarios, including no changes to our interest rate risk management activities like securities and hedging actions.
- We incorporate the dynamic nature of deposit re-pricing, which includes pricing lags and changes in deposit beta and mix as interest rates change, and the prepayment sensitivity of our mortgage securities to the level of interest rates. In our models, deposit betas and mortgage security prepayments vary dynamically based on the level of interest rates and by product type. In the contexts used in this section, “beta” refers to the change in deposit rate paid relative to the change in the federal funds rate.
- 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 a practice of employing negative policy rates. In jurisdictions that have negative policy rates, we do not floor interest rates at 0%.

At the current level of interest rates, our projected 12-month net interest income is expected to increase in higher rate scenarios and decrease in lower rate scenarios. The decrease in lower rate scenarios is driven by lower interest income from our assets, including floating rate credit card and commercial loans, being partially offset by lower interest expense from our deposits and other liabilities, net of our interest rate hedges. Our 12-month net interest income sensitivity increased modestly for the +/- 200 bps scenarios, while the remaining scenarios were largely unchanged as compared to December 31, 2023. Increased net interest income sensitivity to large rate shocks is mainly driven by lower interest rates.

Economic Value of Equity Sensitivity

Our economic value of equity sensitivity measure estimates the impact of hypothetical instantaneous movements in interest rates on the net present value of our assets and liabilities, including derivative exposures. Economic value of equity sensitivity metrics are derived using the following key assumptions:

- As of September 30, 2024, our metrics assume a market implied baseline interest rate projection for the upper limit of the Federal Funds Target Rate of 4.25% and 3.00% at December 31, 2024 and December 31, 2025, respectively.
- The analysis includes only existing assets, liabilities and derivative positions and does not incorporate business growth assumptions or projected balance sheet changes.
- Similar to our net interest income sensitivity measure, we incorporate the dynamic nature of deposit repricing and attrition, which includes pricing lags and changes in deposit beta as interest rates change and the prepayment sensitivity of our mortgage securities to the level of interest rates. In our models, deposit betas and mortgage security prepayments vary dynamically based on the level of interest rates and by product type.
- Balance attrition assumptions for loans, including credit card, auto and commercial loans, remain unchanged between the baseline interest rate forecast and interest rate shock scenarios as those loans are mainly floating rate or shorter duration fixed rate loans and hence paydowns have a low sensitivity to the level of interest rates.
- For assets and liabilities with embedded optionality, such as mortgage securities and deposit balances, we utilize monte carlo simulations to assess economic value with industry-standard term structure modeling of interest rates.
- Our calculations of net present value apply appropriate spreads over the benchmark yield curve for select assets and liabilities to capture the inherent risks (including credit risk) to discount expected interest and principal cash flows.
- 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 a practice of employing negative policy rates. In jurisdictions that have negative policy rates, we do not floor interest rates at 0%.

Our current economic value of equity sensitivity profile demonstrates that our economic value of equity decreases in higher interest rate scenarios and increases in lower interest rate scenarios. The decrease in higher rate scenarios is due to the declines in the projected value of our fixed rate assets being only partially offset by corresponding movements in the projected value of our deposits and other liabilities. The pace of economic value of equity decrease is larger for the +200 bps scenario as our deposits are assumed to reprice more rapidly in higher interest rate environments. Our current economic value of equity sensitivity decreased modestly in both higher and lower rate scenarios as compared to December 31, 2023. The decrease in economic value of equity sensitivity is driven by lower interest rates.

Table 32 shows the estimated percentage impact on our projected baseline net interest income and our current economic value of equity calculated under the methodology described above as of September 30, 2024 and December 31, 2023.

Table 32: Interest Rate Sensitivity Analysis

	September 30, 2024	December 31, 2023
Estimated impact on projected baseline net interest income:		
+200 basis points	**1.2 %**	0.7 %
+100 basis points	**0.9**	0.8
+50 basis points	**0.5**	0.4
–50 basis points	**(0.5)**	(0.5)
–100 basis points	**(1.0)**	(0.9)
–200 basis points	**(2.6)**	(2.0)
Estimated impact on economic value of equity:		
+200 basis points	**(7.0)**	(8.4)
+100 basis points	**(3.0)**	(3.7)
+50 basis points	**(1.5)**	(1.8)
–50 basis points	**1.2**	1.6
–100 basis points	**2.2**	2.9
–200 basis points	**2.4**	4.0

In addition to these industry standard measures, we also consider the potential impact of alternative interest rate scenarios, such as larger rate shocks, higher than +/- 200 bps, as well as steepening and flattening yield curve scenarios in our internal interest rate risk management decisions. We also regularly review the sensitivity of our interest rate risk metrics to changes in our key modeling assumptions, such as our loan and deposit balance forecasts, mortgage prepayments and deposit repricing.

Limitations of Market Risk Measures

The interest rate risk models that we use in deriving these measures incorporate contractual information, internally-developed assumptions and proprietary modeling methodologies, which project borrower and depositor behavior patterns in certain interest rate environments. Other market inputs, such as interest rates, market prices and interest rate volatility, are also critical components of our interest rate risk measures. We regularly evaluate, update and enhance these assumptions, models and analytical tools as we believe appropriate to reflect our best assessment of the market environment and the expected behavior patterns of our existing assets and liabilities.

There are inherent limitations in any methodology used to estimate the exposure to changes in market interest rates. The sensitivity analysis described above contemplates only certain movements in interest rates and is performed at a particular point in time based on our existing balance sheet and, in some cases, expected future business growth and funding mix assumptions. The strategic actions that management may take to manage our balance sheet may differ significantly from our projections, which could cause our actual earnings and economic value of equity sensitivities to differ substantially from the above sensitivity analysis.

For further information on our interest rate exposures, see “Part I—Item 1. Financial Statements—Note 9—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 nominal intercompany funding outstanding was 1.2 billion GBP and 973 million GBP as of September 30, 2024 and December 31, 2023, respectively, and 1.4 billion CAD and 1.6 billion CAD as of September 30, 2024 and December 31, 2023, respectively. Our nominal EUR-denominated borrowings outstanding were 502 million EUR and 1.3 billion EUR as of September 30, 2024 and December 31, 2023, respectively.

Our non-dollar equity investments in foreign operations expose our balance sheet and capital ratios to translation risk in AOCI. We manage our translation risk 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 2.2 billion GBP as of both September 30, 2024 and December 31, 2023, and 2.5 billion CAD and 2.4 billion CAD as of September 30, 2024 and December 31, 2023, respectively.

As a result of our derivative management activities, we believe our net exposure to foreign exchange risk is minimal. For rore information, see "Part I—Item 1. Financial Statements—Note 9—Derivative Instruments and Hedging Activities" and "Part I—Item 1. Financial Statements—Note 10—Stockholders' Equity."

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% 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 "Part I—Item 1. Financial Statements—Note 9—Derivative Instruments and Hedging Activities."

SUPERVISION AND REGULATION

We provide information on our Supervision and Regulation in our 2023 Form 10-K under "Part I—Item 1. Business—Supervision and Regulation" and in our Quarterly Reports on Form 10-Q for the period ended March 31, 2024 and June 30, 2024 under "Part I—Item 2. MD&A—Supervision and Regulation."

FORWARD-LOOKING STATEMENTS

From time to time, we have made and will make forward-looking statements, including those that discuss, among other things: strategies, goals, outlook or other non-historical matters; projections, revenues, income, returns, expenses, assets, liabilities, capital and liquidity 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,” “think,” “estimate,” “intend,” “plan,” “goal,” “believe,” “forecast,” “outlook” or other words of similar meaning. Any forward-looking statements made by us or on our behalf speak only as of the date they are made or as of the date indicated, and we do not undertake any obligation to update forward-looking statements as a result of new information, future events or otherwise. For additional information on factors that could materially influence forward-looking statements included in this Report, see the risk factors set forth under “Part I—Item 1A. Risk Factors” in our 2023 Form 10-K. You should carefully consider the factors discussed below, and in our Risk Factors or other disclosures, 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:

- risks relating to the pending Transaction, including the risk that the cost savings and any revenue synergies and other anticipated benefits from the Transaction may not be fully realized or may take longer than anticipated to be realized; disruption to our business and to Discover’s business as a result of the announcement and pendency of the Transaction; the risk that the integration of Discover’s business and operations into ours, including into our compliance management program, will be materially delayed or will be more costly or difficult than expected, or that we are otherwise unable to successfully integrate Discover’s business into ours, including as a result of unexpected factors or events; the possibility that the requisite regulatory, stockholder or other approvals are not received or other conditions to the closing are not satisfied on a timely basis or at all, or are obtained subject to conditions that are not anticipated (and the risk that requisite regulatory approvals may result in the imposition of conditions that could adversely affect us or the expected benefits of the Transaction following the closing of the Transaction); reputational risk and the reaction of customers, suppliers, employees or other business partners of ours or of Discover to the Transaction; the failure of the closing conditions in the Merger Agreement to be satisfied, or any unexpected delay in completing the Transaction or the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement; the dilution caused by our issuance of additional shares of our common stock in connection with the Transaction; the possibility that the Transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events; risks related to management and oversight of our expanded business and operations following the Transaction due to the increased size and complexity of our business; the possibility of increased scrutiny by, and/or additional regulatory requirements of, governmental authorities as a result of the Transaction or the size, scope and complexity of our business operations following the Transaction; the outcome of any legal or regulatory proceedings that may be currently pending or later instituted against us (before or after the Transaction) or against Discover; the risk that expectations regarding the timing, completion and accounting and tax treatments of the Transaction are not met; the risk that any announcements relating to the Transaction could have adverse effects on the market price of our common stock; certain restrictions during the pendency of the Transaction; the diversion of management’s attention from ongoing business operations and opportunities; the risk that revenues following the Transaction may be lower than expected and/or the risk that certain expenses, such as the provision for credit losses, of Discover or the surviving entity may be greater than expected; our and Discover’s success in executing their respective business plans and strategies and managing the risks involved in the foregoing; effects of the announcement, pendency or completion of the Transaction on our or Discover’s ability to retain customers and retain and hire key personnel and maintain relationships with our and Discover’s suppliers and other business partners, and on our and Discover’s operating results and businesses generally; and other factors that may affect our future results or the future results of Discover;

- changes and instability in the macroeconomic environment, resulting from factors that include, but are not limited to monetary policy actions, geopolitical conflicts or instability, such as the war between Ukraine and Russia and the war between Israel and Hamas, labor shortages, government shutdowns, inflation and deflation, potential recessions, lower demand for credit, changes in deposit practices and payment patterns;
- increases or fluctuations in credit losses and delinquencies and the impact of incorrectly estimated expected losses, which could result in inadequate reserves;
- compliance with new and existing domestic and foreign laws, regulations and regulatory expectations;
- limitations on our ability to receive dividends from our subsidiaries;
- our ability to maintain adequate capital or liquidity levels or to comply with revised capital or liquidity requirements, which could have a negative impact on our financial results and our ability to return capital to our stockholders;
- the extensive use, reliability, and accuracy of the models, artificial intelligence, and data on which we rely;
- increased costs, reductions in revenue, reputational damage, legal exposure and business disruptions that can result from a cyber-attack or other security incident on us or third parties (including their supply chains) with which we conduct business, including an incident that results in the theft, loss, manipulation or misuse of information, or the disabling of systems and access to information critical to business operations;
- 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 initiatives and operational plans;
- our response to competitive pressures;
- our business, financial condition and results of operations may be adversely affected by merchants' efforts to reduce the fees charged by credit and debit card networks to facilitate card transactions, 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 develop, operate, and adapt our 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, us or the financial services industry with respect to practices, products, services or financial condition;
- fluctuations in interest rates or volatility in the capital markets;
- our ability to attract, develop, retain and motivate key senior leaders and skilled employees;
- climate change manifesting as physical or transition risks;
- our assumptions or estimates in our financial statements;
- the soundness of other financial institutions and other third parties, actual or perceived;
- our ability to invest successfully in and introduce digital and other technological developments across all our businesses;

- a downgrade in our credit ratings;
- our ability to manage risks from catastrophic events;
- compliance with applicable laws and regulations related to privacy, data protection and data security, in addition to compliance with our own privacy policies and contractual obligations to third parties;
- our ability to protect our intellectual property; and
- other risk factors identified from time to time in our public disclosures, including in the reports that we file with the SEC.

SUPPLEMENTAL TABLE

Reconciliation of Non-GAAP Measures

The following non-GAAP measure consists of our adjusted results that we believe helps investors and users of our financial information understand the effect of adjusting items on our selected reported results; however, it may not be comparable to similarly-titled measures reported by other companies. This adjusted result provides alternate measurements of our operating performance, both for the current period and trends across multiple periods. The following table presents reconciliations of the non-GAAP measure to the applicable amounts measured in accordance with U.S. GAAP. The non-GAAP measure below should not be viewed as a substitute for reported results determined in accordance with U.S. GAAP.

Table A—Reconciliation of Non-GAAP Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions, except as noted)	**2024**	**2023**	**2024**	**2023**
Adjusted operating efficiency ratio:				
Operating expense (U.S. GAAP)	**$ 4,201**	$ 3,888	**$ 12,210**	$ 11,844
Discover integration expenses	**(63)**	—	**(94)**	—
FDIC special assessment	**9**	—	**(41)**	—
Adjusted operating expense (non-GAAP)	**$ 4,147**	$ 3,888	**$ 12,075**	$ 11,844
Total net revenue (loss) (U.S. GAAP)	**$ 10,014**	$ 9,366	**$ 28,922**	$ 27,281
Walmart program agreement termination contra revenue impact	**—**	—	**27**	—
Adjusted net revenue (non-GAAP)	**$ 10,014**	$ 9,366	**$ 28,949**	$ 27,281
Operating efficiency ratio (U.S. GAAP)	**41.95%**	41.51%	**42.22%**	43.41%
Impact of adjustments noted above	**(54) bps**	— bps	**(51) bps**	— bps
Adjusted operating efficiency ratio (non-GAAP)	**41.41%**	41.51%	**41.71%**	43.41%

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 U.S. GAAP. These non-GAAP measures should not be viewed as a substitute for reported results determined in accordance with U.S. GAAP.

(Dollars in millions, except as noted)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Tangible Common Equity (Average):				
Stockholders' equity	**$ 61,289**	$ 55,012	**$ 59,139**	$ 55,048
Goodwill and other intangible assets[1]	**(15,225)**	(15,348)	**(15,251)**	(15,174)
Noncumulative perpetual preferred stock	**(4,845)**	(4,845)	**(4,845)**	(4,845)
Tangible common equity	**$ 41,219**	$ 34,819	**$ 39,043**	$ 35,029
Return on Tangible Common Equity (Average):				
Net income available to common stockholders	**$ 1,692**	$ 1,705	**$ 3,423**	$ 3,943
Tangible common equity (Average)	**41,219**	34,819	**39,043**	35,029
Return on tangible common equity[2]	**16.42%**	19.59%	**11.69%**	15.01%
Tangible Assets (Average):				
Total assets	**$ 481,219**	$ 469,860	**$ 477,816**	$ 466,279
Goodwill and other intangible assets[1]	**(15,225)**	(15,348)	**(15,251)**	(15,174)
Tangible assets	**$ 465,994**	$ 454,512	**$ 462,565**	$ 451,105
Return on Tangible Assets (Average):				
Net income	**$ 1,777**	$ 1,790	**$ 3,654**	$ 4,181
Tangible assets (Average)	**465,994**	454,512	**462,565**	451,105
Return on tangible assets[3]	**1.53%**	1.58%	**1.05%**	1.24%

(Dollars in millions, except as noted)	September 30, 2024	September 30, 2023	December 31, 2023
Tangible Common Equity (Period-End):			
Stockholders' equity	**$ 62,925**	$ 53,668	$ 58,089
Goodwill and other intangible assets[1]	**(15,214)**	(15,308)	(15,289)
Noncumulative perpetual preferred stock	**(4,845)**	(4,845)	(4,845)
Tangible common equity	**$ 42,866**	$ 33,515	$ 37,955
Tangible Assets (Period-End):			
Total assets	**$ 486,433**	$ 471,435	$ 478,464
Goodwill and other intangible assets[1]	**(15,214)**	(15,308)	(15,289)
Tangible assets	**$ 471,219**	$ 456,127	$ 463,175
Tangible Book Value per Common Share:			
Tangible common equity (period-end)	**$ 42,866**	$ 33,515	$ 37,955
Outstanding Common Shares	**381.5**	381.0	380.4
Tangible book value per common share	**$ 112.36**	$ 87.97	$ 99.78
TCE Ratio			
Tangible common equity (Period-end)	**$ 42,866**	$ 33,515	$ 37,955
Tangible Assets (Period-end)	**471,219**	456,127	463,175
TCE Ratio[4]	**9.1%**	7.3%	8.2%

(1) Includes impact of related deferred taxes.

(2) Return on average tangible common equity is a non-GAAP measure calculated based on annualized net income (loss) available to common stockholders less annualized income (loss) from discontinued operations, net of tax, for the period, divided by average TCE.

(3) Return on average tangible assets is a non-GAAP measure calculated based on annualized income (loss) from continuing operations, net of tax, for the period divided by average tangible assets for the period.

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

Glossary and Acronyms

2019 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.

2022 Call Report: Consolidated Reports of Condition and Income as of December 31, 2022.

Allowance coverage ratio: Allowance as a percentage of loans held for investment.

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 "2023 Form 10-K" are to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Bank: CONA, Capital One Financial Corporation's principal operating subsidiary.

Basel Committee: The Basel Committee on Banking Supervision.

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 Finalization Proposal: The notice of proposed rulemaking released by the Federal Banking Agencies on July 27, 2023 to revise the Basel III Capital Rules applicable to banking organizations with total assets of $100 billion or more and their subsidiary depository institutions.

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.

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 CECL model) that is based on expected rather than incurred losses, with an anticipated result of more timely loss recognition. This guidance was effective for us on January 1, 2020.

CECL Transition Election: The optional five-year transition period provided to banking institutions to phase in the impact of the CECL standard on their regulatory capital.

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

Common equity Tier 1 ("CET1") capital: CET1 capital primarily includes qualifying common shareholders' equity, retained earnings and certain AOCI amounts less certain deductions for goodwill, intangible assets, and certain deferred tax assets.

CONA: Capital One, National Association, one of our wholly-owned subsidiaries, which offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients.

CONA Bank Merger: The merger of Discover Bank, a Delaware-chartered bank and wholly owned subsidiary of Discover, with and into CONA, with CONA as the surviving entity.

Credit risk: The risk to current or projected financial condition and resilience arising from an obligor's failure to meet the terms of any contract with the Company or otherwise perform as agreed.

Deposit Insurance Fund ("DIF"): A fund maintained by the FDIC to provide insurance coverage for certain deposits. It is funded through assessments on banks.

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 205, that are removed from continuing operations when that component has been disposed of or it is management's intention to sell the component.

Discover: Discover Financial Services, a Delaware corporation.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("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 Deposit Insurance Corporation ("FDIC"): An independent U.S. governmental agency that administers the Deposit Insurance Fund.

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.

Financial difficulty modification ("FDM"): A FDM is deemed to occur when a loan modification is made to a borrower experiencing financial difficulty in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, a term extension, or a combination of these modifications in the current reporting period. FDMs became effective with the adoption of ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* on January 1, 2023.

Foreign exchange contracts: Contracts that provide for the future receipt or delivery of foreign currency at previously agreed-upon terms.

Framework: The Capital One enterprise-wide risk management framework.

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: The final rules published by the Basel Committee and as implemented by the Federal Banking Agencies in 2014 for 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 regulators.

Liquidity risk: The risk that the Company will not be able to meet its future financial obligations as they come due, or invest in future asset growth because of an inability to obtain funds at a reasonable price within a reasonable time.

Loan-to-value ("LTV") ratio: The relationship, expressed as a percentage, between the principal amount of a loan and the appraised value of the collateral securing the loan.

Loss severity: Loss given default.

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

Market risk: The risk that an institution's earnings or the economic value of equity could be adversely impacted by changes in interest rates, foreign exchange rates or other market factors.

Master netting agreement: An agreement between two counterparties that have multiple contracts with each other that provides for the net settlement of all contracts through a single payment in the event of default or termination of any one contract.

Merger Agreement: Agreement and Plan of Merger, dated as of February 19, 2024, by and among Discover, Capital One and Merger Sub.

Merger: The merger of Merger Sub with and into Discover, with Discover as the surviving entity, pursuant to the Merger Agreement.

Merger Sub: Vega Merger Sub, Inc.

Mortgage servicing rights ("MSRs"): The right to service a mortgage loan when the underlying loan is sold or securitized. Servicing includes collections for principal, interest and escrow payments from borrowers and accounting for and remitting principal and interest payments to investors.

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

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

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

NSFR Rule: The final rules published by the Basel Committee and as issued by the Federal Banking Agencies in October 2020 implementing the net stable funding ratio (“NSFR”) in the United States. The NSFR measures the stability of our funding profile and requires us to maintain minimum amounts of stable funding to support our assets, commitments and derivatives exposures over a one-year period.

PR Rules: The U.S. prudential regulators’ margin rules for uncleared derivatives.

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

Purchase volume: Consists of purchase transactions, net of returns, for the period, and excludes cash advance and balance transfer transactions.

Rating agency: An independent agency that assesses the credit quality and likelihood of default of an issue or issuer and assigns a rating to that issue or issuer.

Repurchase agreement: An instrument used to raise short-term funds whereby securities are sold with an agreement for the seller to buy back the securities at a later date.

Restructuring charges: Charges associated with the realignment of resources supporting various businesses, primarily consisting of severance and related benefits pursuant to our ongoing benefit programs and impairment of certain assets related to the business locations and/or activities being exited.

Risk-weighted assets: On- and off-balance sheet assets that are assigned to one of several broad risk categories and weighted by factors representing their risk and potential for default.

Second Step Merger: The merger of Discover with and into Capital One, with Capital One as the surviving entity.

Securitized debt obligations: A type of asset-backed security and structured credit product constructed from a portfolio of fixed-income assets.

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

Stress Capital Buffer Rule: The final rule issued by the Federal Reserve in March 2020 to implement the stress capital buffer requirement.

Subprime: For purposes of lending in our Credit Card business, we generally consider FICO scores of 660 or below, or other equivalent risk scores, to be subprime. For purposes of auto lending in our Consumer Banking business, we generally consider FICO scores of 620 or below to be subprime.

Tangible common equity (“TCE”): A non-GAAP financial measure calculated as common equity less goodwill and other intangible assets inclusive of any related deferred tax liabilities.

This Report: Quarterly Report on Form 10-Q for the period ended September, 30 2024.

Transaction: On February 19, 2024, we entered into the Merger Agreement to acquire Discover in an all-stock transaction.

Unfunded lending commitments: Legally binding agreements to provide a defined level of financing until a specified future date.

U.S. GAAP: Accounting principles generally accepted in the United States of America. Accounting rules and conventions defining acceptable practices in preparing financial statements in the U.S.

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

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

Acronyms

ABS: Asset-backed securities
AOCI: Accumulated other comprehensive income
ASU: Accounting Standards Update
ATM: Automated teller machine
BHC: Bank holding company
bps: Basis points
CAD: Canadian dollar
CCP: Central Counterparty Clearinghouse, or Central Clearinghouse
CDE: Community development entities
CECL: Current expected credit loss
CEO: Chief Executive Officer
CET1: Common equity Tier 1 capital
CFO: Chief Financial Officer
CFPB: Consumer Financial Protection Bureau
CMBS: Commercial mortgage-backed securities
CME: Chicago Mercantile Exchange
COEP: Capital One (Europe) plc
COF: Capital One Financial Corporation
CONA: Capital One, National Association
CVA: Credit valuation adjustment
DCF: Discounted cash flow
DIF: Deposit Insurance Fund
DTCC: Depository Trust and Clearing Corporation
DVA: Debit valuation adjustment
EUR: Euro
Fannie Mae: Federal National Mortgage Association
FASB: Financial Accounting Standards Board
FCA: Financial Conduct Authority
FCM: Futures commission merchant
FDM: Financial difficulty modification
FDIC: Federal Deposit Insurance Corporation
FFIEC: Federal Financial Institutions Examination Council
FHLB: Federal Home Loan Banks
FICC - GSD: Fixed Income Clearing Corporation - Government Securities Division
FICO: Fair Isaac Corporation
Fitch: Fitch Ratings
Freddie Mac: Federal Home Loan Mortgage Corporation
GAAP: Generally accepted accounting principles in the U.S.
GBP: Pound sterling
GDP: U.S. Real Gross Domestic Product
Ginnie Mae: Government National Mortgage Association
G-SIB: Global systemically important banks
GSE or Agency: Government-sponsored enterprise

ICE: Intercontinental Exchange
IRM: Independent Risk Management
LCH: LCH Group
LCR: Liquidity coverage ratio
LTV: Loan-to-Value
Moody's: Moody's Investors Service
MSRs: Mortgage servicing rights
NORA: Notice of Opportunity to Respond and Advise
NSFR: Net stable funding ratio
OCC: Office of the Comptroller of the Currency
OCI: Other comprehensive income
OPC: Canada's Office of Privacy Commissioner
OTC: Over-the-counter
PCA: Prompt corrective action
PCCR: Purchased credit card relationship
PCD: Purchased Credit-Deteriorated
PPI: Payment protection insurance
RMBS: Residential mortgage-backed securities
S&P: Standard & Poor's
SEC: U.S. Securities and Exchange Commission
SOFR: Secured Overnight Financing Rate
TCE: Tangible common equity
TDR: Troubled debt restructuring
U.K.: United Kingdom
U.S.: United States of America
VaR: Value-At-Risk
VIE: Variable interest entity

Item 1. Financial Statements

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in millions, except per share-related data)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Interest income:				
Loans, including loans held for sale	**$ 10,547**	$ 9,696	**$ 30,460**	$ 27,476
Investment securities	**733**	627	**2,120**	1,881
Other	**580**	550	**1,737**	1,436
Total interest income	**11,860**	10,873	**34,317**	30,793
Interest expense:				
Deposits	**2,945**	2,611	**8,631**	6,744
Securitized debt obligations	**234**	249	**753**	696
Senior and subordinated notes	**596**	579	**1,793**	1,596
Other borrowings	**9**	11	**30**	35
Total interest expense	**3,784**	3,450	**11,207**	9,071
Net interest income	**8,076**	7,423	**23,110**	21,722
Provision for credit losses	**2,482**	2,284	**9,074**	7,569
Net interest income after provision for credit losses	**5,594**	5,139	**14,036**	14,153
Non-interest income:				
Interchange fees, net	**1,228**	1,234	**3,622**	3,586
Service charges and other customer-related fees	**501**	453	**1,422**	1,243
Net securities gains (losses)	**(35)**	0	**(35)**	0
Other	**244**	256	**803**	730
Total non-interest income	**1,938**	1,943	**5,812**	5,559
Non-interest expense:				
Salaries and associate benefits	**2,391**	2,274	**7,069**	7,018
Occupancy and equipment	**587**	518	**1,692**	1,532
Marketing	**1,113**	972	**3,187**	2,755
Professional services	**402**	295	**980**	909
Communications and data processing	**358**	344	**1,064**	1,038
Amortization of intangibles	**20**	24	**58**	60
Other	**443**	433	**1,347**	1,287
Total non-interest expense	**5,314**	4,860	**15,397**	14,599
Income from continuing operations before income taxes	**2,218**	2,222	**4,451**	5,113
Income tax provision	**441**	432	**797**	932
Net income	**1,777**	1,790	**3,654**	4,181
Dividends and undistributed earnings allocated to participating securities	**(28)**	(28)	**(60)**	(67)
Preferred stock dividends	**(57)**	(57)	**(171)**	(171)
Net income available to common stockholders	**$ 1,692**	$ 1,705	**$ 3,423**	$ 3,943
Basic earnings per common share:				
Net income per basic common share	**$ 4.42**	$ 4.46	**$ 8.94**	$ 10.31
Diluted earnings per common share:				
Net income per diluted common share	**$ 4.41**	$ 4.45	**$ 8.92**	$ 10.28

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**
Net income	**$ 1,777**	$ 1,790	**$ 3,654**	$ 4,181
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on securities available for sale	**2,300**	(2,108)	**1,272**	(2,034)
Net unrealized gains (losses) on hedging relationships	**1,069**	(259)	**677**	(282)
Foreign currency translation adjustments	**45**	(39)	**31**	8
Other	**0**	0	**1**	0
Other comprehensive income (loss), net of tax	**3,414**	(2,406)	**1,981**	(2,308)
Comprehensive income (loss)	**$ 5,191**	$ (616)	**$ 5,635**	$ 1,873

See Notes to Consolidated Financial Statements.

CAPITAL ONE FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in millions, except per share-related data)	September 30, 2024	December 31, 2023
Assets:		
Cash and cash equivalents:		
Cash and due from banks	$ 3,976	$ 4,903
Interest-bearing deposits and other short-term investments	45,322	38,394
Total cash and cash equivalents	49,298	43,297
Restricted cash for securitization investors	421	458
Securities available for sale (amortized cost of $90.8 billion and $88.1 billion and allowance for credit losses of $3 million and $4 million as of September 30, 2024 and December 31, 2023, respectively)	83,500	79,117
Loans held for investment:		
Unsecuritized loans held for investment	292,061	289,229
Loans held in consolidated trusts	28,182	31,243
Total loans held for investment	320,243	320,472
Allowance for credit losses	(16,534)	(15,296)
Net loans held for investment	303,709	305,176
Loans held for sale ($77 million and $347 million carried at fair value as of September 30, 2024 and December 31, 2023, respectively)	96	854
Premises and equipment, net	4,440	4,375
Interest receivable	2,577	2,478
Goodwill	15,083	15,065
Other assets	27,309	27,644
Total assets	$ 486,433	$ 478,464
Liabilities:		
Interest payable	$ 705	$ 649
Deposits:		
Non-interest-bearing deposits	26,378	28,024
Interest-bearing deposits	327,253	320,389
Total deposits	353,631	348,413
Securitized debt obligations	15,881	18,043
Other debt:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	520	538
Senior and subordinated notes	32,911	31,248
Other borrowings	24	27
Total other debt	33,455	31,813
Other liabilities	19,836	21,457
Total liabilities	423,508	420,375
Commitments, contingencies and guarantees (see Note 14)		
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 September 30, 2024 and December 31, 2023)	0	0
Common stock (par value $0.01 per share; 1,000,000,000 shares authorized; 701,557,753 and 696,242,668 shares issued as of September 30, 2024 and December 31, 2023, respectively; 381,510,336 and 380,389,609 shares outstanding as of September 30, 2024 and December 31, 2023, respectively)	7	7
Additional paid-in capital, net	36,216	35,541
Retained earnings	63,698	60,945
Accumulated other comprehensive loss	(6,287)	(8,268)
Treasury stock, at cost (par value $0.01 per share; 320,047,417 and 315,853,059 shares as of September 30, 2024 and December 31, 2023, respectively)	(30,709)	(30,136)
Total stockholders' equity	62,925	58,089
Total liabilities and stockholders' equity	$ 486,433	$ 478,464

See Notes to Consolidated Financial Statements.

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

(Dollars in millions)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance as of December 31, 2023	4,975,000	$ 0	696,242,668	$ 7	$ 35,541	$ 60,945	$ (8,268)	$ (30,136)	$ 58,089
Cumulative effects of accounting standards adoption[1]						(25)			(25)
Comprehensive income (loss)						1,280	(1,266)		14
Dividends—common stock[2]			24,969	0	3	(238)			(235)
Dividends—preferred stock						(57)			(57)
Purchases of treasury stock								(249)	(249)
Issuances of common stock and restricted stock, net of forfeitures			3,470,983	0	80				80
Exercises of stock options			15,000	0	1				1
Compensation expense for restricted stock units					183				183
Balance as of March 31, 2024	4,975,000	$ 0	699,753,620	$ 7	$ 35,808	$ 61,905	$ (9,534)	$ (30,385)	$ 57,801
Comprehensive income (loss)						597	(167)		430
Dividends—common stock[2]			8,354	0	2	(234)			(232)
Dividends—preferred stock						(57)			(57)
Purchases of treasury stock								(163)	(163)
Issuances of common stock and restricted stock, net of forfeitures			941,120	0	95				95
Compensation expense for restricted stock units					107				107
Balance as of June 30, 2024	4,975,000	$ 0	700,703,094	$ 7	$ 36,012	$ 62,211	$ (9,701)	$ (30,548)	$ 57,981
Comprehensive income						**1,777**	**3,414**		**5,191**
Dividends—common stock[2]			**2,846**	**0**	**0**	**(233)**			**(233)**
Dividends—preferred stock						**(57)**			**(57)**
Purchases of treasury stock								**(161)**	**(161)**
Issuances of common stock and restricted stock, net of forfeitures			**691,072**	**0**	**76**				**76**
Exercises of stock options			**160,741**	**0**	**3**				**3**
Compensation expense for restricted stock units					**125**				**125**
Balance as of September 30, 2024	**4,975,000**	**$ 0**	**701,557,753**	**$ 7**	**$ 36,216**	**$ 63,698**	**$ (6,287)**	**$ (30,709)**	**$ 62,925**

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, 2022	4,975,000	$ 0	690,334,422	$ 7	$ 34,725	$ 57,184	$ (9,916)	$ (29,418)	$ 52,582
Cumulative effects of accounting standards adoption[3]						48			48
Comprehensive income						960	1,376		2,336
Dividends—common stock[2]			26,635	0	3	(237)			(234)
Dividends—preferred stock						(57)			(57)
Purchases of treasury stock								(246)	(246)
Issuances of common stock and restricted stock, net of forfeitures			2,972,149	0	76				76
Compensation expense for restricted stock units					148				148
Balance as of March 31, 2023	4,975,000	$ 0	693,333,206	$ 7	$ 34,952	$ 57,898	$ (8,540)	$ (29,664)	$ 54,653
Cumulative effects of accounting standards adoption[4]						(11)			(11)
Comprehensive income (loss)						1,431	(1,278)		153
Dividends—common stock[2]			4,745	0	1	(233)			(232)
Dividends—preferred stock						(57)			(57)
Purchases of treasury stock								(157)	(157)
Issuances of common stock and restricted stock, net of forfeitures			989,004	0	88				88
Compensation expense for restricted stock units					122				122
Balance as of June 30, 2023	4,975,000	$ 0	694,326,955	$ 7	$ 35,163	$ 59,028	$ (9,818)	$ (29,821)	$ 54,559
Comprehensive income (loss)						1,790	(2,406)		(616)
Dividends—common stock[2]			4,078	0	0	(232)			(232)
Dividends—preferred stock						(57)			(57)
Purchases of treasury stock								(157)	(157)
Issuances of common stock and restricted stock, net of forfeitures			943,409	0	71				71
Exercises of stock options			62,256	0	4				4
Compensation expense for restricted stock units					96				96
Balance as of September 30, 2023	4,975,000	$ 0	695,336,698	$ 7	$ 35,334	$ 60,529	$ (12,224)	$ (29,978)	$ 53,668

(1) Impact from the adoption of Accounting Standards Update (“ASU”) 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method* as of January 1, 2024.

(2) We declared dividends per share on our common stock of $0.60 in the third quarter of 2024 and 2023, and $1.80 in the first nine months of 2024 and 2023.

(3) Impact from the adoption of ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings (“TDR”) and Vintage Disclosures* as of January 1, 2023.

(4) We have equity method investments in certain non-public entities which adopted ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)* as of January 1, 2023. The impact to retained earnings was recorded in the second quarter o 2023, on a one quarter lag consistent with our standard operating procedures for equity method investments.

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**
Operating activities:		
Income from continuing operations, net of tax	**$ 3,654**	$ 4,181
Net income	**3,654**	4,181
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	**9,074**	7,569
Depreciation and amortization, net	**2,423**	2,428
Deferred tax benefit	**(501)**	(513)
Net securities losses	**35**	0
Loss on sales of loans	**27**	1
Stock-based compensation expense	**425**	372
Other	**37**	(46)
Loans held for sale:		
Originations and purchases	**(2,603)**	(3,990)
Proceeds from sales and paydowns	**2,887**	3,847
Changes in operating assets and liabilities:		
Changes in interest receivable	**(99)**	(350)
Changes in other assets	**913**	(483)
Changes in interest payable	**56**	158
Changes in other liabilities	**(617)**	301
Net cash from operating activities	**15,711**	13,475
Investing activities:		
Securities available for sale:		
Purchases	**(11,677)**	(7,334)
Proceeds from paydowns and maturities	**8,732**	6,663
Proceeds from sales	**175**	0
Loans:		
Net changes in loans originated as held for investment	**(9,984)**	(8,827)
Principal recoveries of loans previously charged off	**2,197**	1,715
Changes in premises and equipment	**(848)**	(700)
Net cash used in acquisitions	**0**	(2,785)
Net cash used in other investing activities	**(756)**	(962)
Net cash used in investing activities	**$ (12,161)**	$ (12,230)

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**
Financing activities:		
Deposits and borrowings:		
Changes in deposits	**$ 4,987**	$ 13,080
Issuance of securitized debt obligations	**997**	2,443
Maturities and paydowns of securitized debt obligations	**(3,434)**	(2,003)
Issuance of senior and subordinated notes	**3,985**	5,728
Maturities and paydowns of senior and subordinated notes	**(2,911)**	(4,886)
Changes in other borrowings	**(21)**	(369)
Common stock:		
Net proceeds from issuances	**251**	235
Dividends paid	**(700)**	(698)
Preferred stock:		
Dividends paid	**(171)**	(171)
Purchases of treasury stock	**(573)**	(560)
Proceeds from share-based payment activities	**4**	4
Net cash from financing activities	**2,414**	12,803
Changes in cash, cash equivalents and restricted cash for securitization investors	**5,964**	14,048
Cash, cash equivalents and restricted cash for securitization investors, beginning of the period	**43,755**	31,256
Cash, cash equivalents and restricted cash for securitization investors, end of the period	**$ 49,719**	$ 45,304
Supplemental cash flow information:		
Non-cash items:		
Interest paid	**9,831**	10,196
Income tax paid	**563**	871

See Notes to Consolidated Financial Statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Capital One Financial Corporation, a Delaware corporation established in 1994 and headquartered in McLean, Virginia, is a diversified financial services holding company with banking and non-banking subsidiaries. Capital One Financial Corporation and its subsidiaries (the "Company" or "Capital One") offer a broad array of financial products and services to consumers, small businesses and commercial clients through digital channels, branch locations, cafés and other distribution channels.

As of September 30, 2024, Capital One Financial Corporation's principal operating subsidiary was Capital One, National Association ("CONA"). The Company is hereafter collectively referred to as "we," "us" or "our." CONA is referred to as the "Bank."

We also offer products outside of the United States of America ("U.S.") principally through Capital One (Europe) plc ("COEP"), an indirect subsidiary of CONA organized and located in the United Kingdom ("U.K."), and through a branch of CONA in Canada. Both COEP and our Canadian branch of CONA have 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 any recent material acquisitions into our business segments, and the allocation methodologies and accounting policies used to derive our business segment results in "Note 13—Business Segments and Revenue from Contracts with Customers."

Basis of Presentation and Use of Estimates

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP"). The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and in the related disclosures. These estimates are based on information available as of the date of the consolidated financial statements. While management makes its best judgments, actual amounts or results could differ from these estimates. In the opinion of management, all normal, recurring adjustments have been included for a fair statement of this interim financial information.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, and related notes thereto, included in Capital One Financial Corporation's 2023 Annual Report on Form 10-K ("2023 Form 10-K").

Newly Adopted Accounting Standards During the Nine Months Ended September 30, 2024

Standard	Guidance	Adoption Timing and Financial Statement Impacts
Tax Credit Investments ASU No. 2023-02, Investments - Equity Method and Joint Ventures (Topic 323): *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method* *Issued March 2023*	Permits entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method, if certain criteria are met. Previously, only Low-Income Housing Tax Credit investments were eligible for application of the proportional amortization method.	We adopted this standard on its effective date of January 1, 2024 using a modified retrospective transition method, which results in a cumulative-effect adjustment to retained earnings in the period of adoption. Our adoption of this standard did not have a material impact on our consolidated financial statements. See "Consolidated Statements of Changes in Stockholders' Equity" and "Note 6—Variable Interest Entities and Securitizations" for additional disclosures.

NOTE 2—BUSINESS COMBINATIONS

On February 19, 2024, the Company entered into an agreement and plan of merger (the "Merger Agreement"), by and among Capital One, Discover Financial Services, a Delaware corporation ("Discover") and Vega Merger Sub, Inc., a Delaware corporation and a direct, wholly owned subsidiary of the Company ("Merger Sub"), pursuant to which (a) Merger Sub will merge with and into Discover, with Discover as the surviving entity in the merger (the "Merger"); (b) immediately following the Merger, Discover, as the surviving entity, will merge with and into Capital One, with Capital One as the surviving entity in the second-step merger (the "Second Step Merger"); and (c) immediately following the Second Step Merger, Discover Bank, a Delaware-chartered and wholly owned subsidiary of Discover, will merge with and into CONA, with CONA as the surviving entity in the merger (the "CONA Bank Merger," and collectively with the Merger and the Second Step Merger, the "Transaction"). The Merger Agreement was unanimously approved by the Boards of Directors of each of Capital One and Discover.

At the effective time of the Merger, each share of common stock of Discover outstanding immediately prior to the effective time of the Merger, other than certain shares held by Discover or Capital One, will be converted into the right to receive 1.0192 shares of common stock of Capital One. Holders of Discover common stock will receive cash in lieu of fractional shares. At the effective time of the Second Step Merger, each share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series C, of Discover, and each share of 6.125% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series D, of Discover, in each case outstanding immediately prior to the effective time of the Second Step Merger, will be converted into the right to receive a share of newly created series of preferred stock of Capital One having terms that are not materially less favorable than the applicable series of Discover preferred stock. The closing of the Transaction is subject to the satisfaction of customary closing conditions, including receipt of required regulatory approvals and approval by the stockholders of each of Capital One and Discover.

For the three and nine months ended September 30, 2024, we have incurred $63 million and $94 million of integration expenses related to the agreement to acquire Discover, which are included in Operating Expense in our Consolidated Statements of Income.

NOTE 3—INVESTMENT SECURITIES

Our investment securities portfolio consists of the following: U.S. government-sponsored enterprise or agency ("GSE" or "Agency") and non-agency residential mortgage-backed securities ("RMBS"), agency commercial mortgage-backed securities ("CMBS"), U.S. Treasury securities and other securities. Agency securities include Government National Mortgage Association ("Ginnie Mae") guaranteed securities, Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac") issued securities. The carrying value of our investments in Agency and U.S. Treasury securities represented 96% and 97% of our total investment securities portfolio as of September 30, 2024 and December 31, 2023, respectively.

The table below presents the amortized cost, allowance for credit losses, gross unrealized gains and losses, and fair value aggregated by major security type as of September 30, 2024 and December 31, 2023. Accrued interest receivable of $264 million and $227 million as of September 30, 2024 and December 31, 2023, respectively, is not included in the table below.

Table 3.1: Investment Securities Available for Sale

	September 30, 2024				
(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	**$ 6,035**	**$ 0**	**$ 10**	**$ (13)**	**$ 6,032**
RMBS:					
Agency	**72,576**	**0**	**205**	**(7,130)**	**65,651**
Non-agency	**576**	**(3)**	**86**	**(3)**	**656**
Total RMBS	**73,152**	**(3)**	**291**	**(7,133)**	**66,307**
Agency CMBS	**8,613**	**0**	**35**	**(465)**	**8,183**
Other securities[1]	**2,971**	**0**	**7**	**0**	**2,978**
Total investment securities available for sale	**$ 90,771**	**$ (3)**	**$ 343**	**$ (7,611)**	**$ 83,500**

	December 31, 2023				
(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	$ 5,330	$ 0	$ 1	$ (49)	$ 5,282
RMBS:					
Agency	71,294	0	104	(8,450)	62,948
Non-agency	610	(4)	89	(5)	690
Total RMBS	71,904	(4)	193	(8,455)	63,638
Agency CMBS	8,961	0	14	(652)	8,323
Other securities[1]	1,868	0	6	0	1,874
Total investment securities available for sale	$ 88,063	$ (4)	$ 214	$ (9,156)	$ 79,117

(1) Includes $2.4 billion and $1.4 billion of asset-backed securities ("ABS") as of September 30, 2024 and December 31, 2023, respectively. The remaining amount is primarily comprised of supranational bonds, foreign government bonds and U.S. agency debt 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 September 30, 2024 and December 31, 2023. The amounts include securities available for sale without an allowance for credit losses.

Table 3.2: Securities in a Gross Unrealized Loss Position

	September 30, 2024					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Investment securities available for sale without an allowance for credit losses:						
U.S. Treasury securities	**$ 3,772**	**$ (4)**	**$ 1,331**	**$ (9)**	**$ 5,103**	**$ (13)**
RMBS:						
Agency	**1,807**	**(10)**	**52,413**	**(7,120)**	**54,220**	**(7,130)**
Non-agency	**4**	**0**	**10**	**0**	**14**	**0**
Total RMBS	**1,811**	**(10)**	**52,423**	**(7,120)**	**54,234**	**(7,130)**
Agency CMBS	**192**	**(1)**	**5,966**	**(464)**	**6,158**	**(465)**
Other securities	**776**	**0**	**4**	**0**	**780**	**0**
Total investment securities available for sale in a gross unrealized loss position without an allowance for credit losses[(1)]	**$ 6,551**	**$ (15)**	**$ 59,724**	**$ (7,593)**	**$ 66,275**	**$ (7,608)**

	December 31, 2023					
	Less than 12 Months		12 Months or Longer		Total	
(Dollars in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Investment securities available for sale without an allowance for credit losses:						
U.S. Treasury securities	$ 733	$ 0	$ 2,242	$ (49)	$ 2,975	$ (49)
RMBS:						
Agency	3,511	(43)	53,987	(8,407)	57,498	(8,450)
Non-agency	1	0	13	(1)	14	(1)
Total RMBS	3,512	(43)	54,000	(8,408)	57,512	(8,451)
Agency CMBS	547	(7)	6,465	(645)	7,012	(652)
Other securities	276	0	4	0	280	0
Total investment securities available for sale in a gross unrealized loss position without an allowance for credit losses[(1)]	$ 5,068	$ (50)	$ 62,711	$ (9,102)	$ 67,779	$ (9,152)

(1) Consists of approximately 2,500 and 2,740 securities in gross unrealized loss positions as of September 30, 2024 and December 31, 2023, respectively.

Maturities and Yields of Investment Securities

The table below summarizes, as of September 30, 2024, the fair value of our investment securities by major security type and contractual maturity as well as the total fair value, amortized cost and weighted-average yields of our investment securities by contractual maturity. Since 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 presented on a pre-tax basis and is calculated based on the amortized cost of each security, inclusive of the contractual coupon, the impact of any premium amortization or discount accretion and any hedge accounting relationships.

Table 3.3: Contractual Maturities and Weighted-Average Yields of Securities

	September 30, 2024				
(Dollars in millions)	Due in 1 Year or Less	Due > 1 Year through 5 Years	Due > 5 Years through 10 Years	Due > 10 Years	Total
Fair value of securities available for sale:					
U.S. Treasury securities	$ 3,334	$ 1,254	$ 1,444	$ 0	$ 6,032
RMBS[1]:					
Agency	1	74	1,099	64,477	65,651
Non-agency	0	0	12	644	656
Total RMBS	1	74	1,111	65,121	66,307
Agency CMBS[1]	515	2,930	2,758	1,980	8,183
Other securities	344	2,617	17	0	2,978
Total securities available for sale	$ 4,194	$ 6,875	$ 5,330	$ 67,101	$ 83,500
Amortized cost of securities available for sale	$ 4,204	$ 6,980	$ 5,569	$ 74,018	$ 90,771
Weighted-average yield for securities available for sale	4.74%	4.07%	3.89%	3.16%	3.35%

(1) As of September 30, 2024, the weighted-average expected maturities of RMBS and Agency CMBS were 7.4 years and 4.9 years, respectively.

Net Securities Gains or Losses and Proceeds from Sales

For the three and nine months ended September 30, 2024, total proceeds from sales of our securities were $175 million with losses of $35 million. We had no sales of securities for the three and nine months ended September 30, 2023.

Securities Pledged and Received

We pledged investment securities totaling $40.1 billion and $45.1 billion as of September 30, 2024 and December 31, 2023, respectively. These securities are primarily pledged to support our access to FHLB advances and Public Fund Deposits, as well as for other purposes as required or permitted by law. We accepted pledges of securities with a fair value of approximately $11 million and $16 million as of September 30, 2024 and December 31, 2023, respectively, related to our derivative transactions.

NOTE 4—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 the tables in this note excludes loans held for sale, which are carried at either fair value (if we elect the fair value option) or at the lower of cost or fair value.

Accrued interest receivable of $2.2 billion as of both September 30, 2024 and December 31, 2023, 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 September 30, 2024 and December 31, 2023. The delinquency aging includes all past due loans, both performing and nonperforming.

Table 4.1: Loan Portfolio Composition and Aging Analysis

	September 30, 2024					
		Delinquent Loans				
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Credit Card:						
Domestic credit card	$ 142,633	$ 1,982	$ 1,469	$ 3,316	$ 6,767	$ 149,400
International card businesses	6,914	116	75	146	337	7,251
Total credit card	149,547	2,098	1,544	3,462	7,104	156,651
Consumer Banking:						
Auto	70,682	2,895	1,452	476	4,823	75,505
Retail banking	1,229	13	2	9	24	1,253
Total consumer banking	71,911	2,908	1,454	485	4,847	76,758
Commercial Banking:						
Commercial and multifamily real estate	32,016	114	20	49	183	32,199
Commercial and industrial	54,320	114	54	147	315	54,635
Total commercial banking	86,336	228	74	196	498	86,834
Total loans[1]	$ 307,794	$ 5,234	$ 3,072	$ 4,143	$ 12,449	$ 320,243
% of Total loans	96.11%	1.64%	0.96%	1.29%	3.89%	100.00%

	December 31, 2023					
		Delinquent Loans				
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Credit Card:						
Domestic credit card	$ 140,860	$ 1,968	$ 1,471	$ 3,367	$ 6,806	$ 147,666
International card businesses	6,552	116	76	137	329	6,881
Total credit card	147,412	2,084	1,547	3,504	7,135	154,547
Consumer Banking:						
Auto	68,768	3,268	1,555	484	5,307	74,075
Retail banking	1,329	15	3	15	33	1,362
Total consumer banking	70,097	3,283	1,558	499	5,340	75,437

(Dollars in millions)	December 31, 2023 Current	Delinquent Loans 30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Commercial Banking:						
Commercial and multifamily real estate	34,325	0	14	107	121	34,446
Commercial and industrial	55,861	0	0	181	181	56,042
Total commercial banking	90,186	0	14	288	302	90,488
Total loans[1]	$ 307,695	$ 5,367	$ 3,119	$ 4,291	$ 12,777	$ 320,472
% of Total loans	96.01%	1.68%	0.97%	1.34%	3.99%	100.00%

[1] Loans include unamortized premiums, discounts, and deferred fees and costs totaling $1.3 billion and $1.4 billion as of September 30, 2024 and December 31, 2023, respectively.

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 September 30, 2024 and December 31, 2023. Nonperforming loans generally include loans that have been placed on nonaccrual status.

Table 4.2: 90+ Day Delinquent Loans Accruing Interest and Nonperforming Loans

	September 30, 2024			December 31, 2023		
(Dollars in millions)	≥ 90 Days and Accruing	Nonperforming Loans[1]	Nonperforming Loans Without an Allowance	≥ 90 Days and Accruing	Nonperforming Loans[1]	Nonperforming Loans Without an Allowance
Credit Card:						
Domestic credit card	**$ 3,316**	**N/A**	**$ 0**	$ 3,367	N/A	$ 0
International card businesses	**140**	**$ 11**	**0**	132	$ 9	0
Total credit card	**3,456**	**11**	**0**	3,499	9	0
Consumer Banking:						
Auto	**0**	**685**	**0**	0	712	0
Retail banking	**0**	**27**	**14**	0	46	19
Total consumer banking	**0**	**712**	**14**	0	758	19
Commercial Banking:						
Commercial and multifamily real estate	**0**	**630**	**314**	0	425	335
Commercial and industrial	**0**	**718**	**552**	55	336	193
Total commercial banking	**0**	**1,348**	**866**	55	761	528
Total	**$ 3,456**	**$ 2,071**	**$ 880**	$ 3,554	$ 1,528	$ 547
% of Total loans held for investment	**1.08 %**	**0.65 %**	**0.27 %**	1.11 %	0.48 %	0.17 %

[1] We recognized interest income for loans classified as nonperforming of $6 million and $70 million for the three and nine months ended September 30, 2024, respectively, and $11 million and $47 million for the three and nine months ended September 30, 2023, 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 the U.S. unemployment rate and U.S. Real Gross Domestic Product ("GDP") growth rate, as well as consumers' financial condition, all of which can have a material effect on credit performance. The key indicator we assess in monitoring the credit quality and risk of our credit card loan portfolio is delinquency trends, including an analysis of loan migration between delinquency categories over time.

The table below presents our credit card portfolio by delinquency status as of September 30, 2024 and December 31, 2023.

Table 4.3: Credit Card Delinquency Status

	September 30, 2024			December 31, 2023		
(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	**$ 142,201**	**$ 432**	**$ 142,633**	$ 140,521	$ 339	$ 140,860
30-59 days	**1,952**	**30**	**1,982**	1,940	28	1,968
60-89 days	**1,450**	**19**	**1,469**	1,454	17	1,471
Greater than 90 days	**3,289**	**27**	**3,316**	3,339	28	3,367
Total domestic credit card	**148,892**	**508**	**149,400**	147,254	412	147,666
International card businesses:						
Current	**6,877**	**37**	**6,914**	6,521	31	6,552
30-59 days	**111**	**5**	**116**	112	4	116
60-89 days	**71**	**4**	**75**	72	4	76
Greater than 90 days	**142**	**4**	**146**	132	5	137
Total international card businesses	**7,201**	**50**	**7,251**	6,837	44	6,881
Total credit card	**$ 156,093**	**$ 558**	**$ 156,651**	$ 154,091	$ 456	$ 154,547

Consumer Banking

Our consumer banking loan portfolio consists of auto and retail banking loans. Similar to our credit card loan portfolio, the risk in our consumer banking loan portfolio correlates to broad economic trends as well as consumers' financial condition, all of which can have a material effect on credit performance. The key indicator we consider 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 September 30, 2024 and December 31, 2023. We present our auto loan portfolio by Fair Isaac Corporation ("FICO") scores at origination and our retail banking loan portfolio by delinquency status, which includes all past due loans, both performing and nonperforming.

Table 4.4: Consumer Banking Portfolio by Vintage Year

	September 30, 2024									
	Term Loans by Vintage Year									
(Dollars in millions)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Total Term Loans**	**Revolving Loans**	**Revolving Loans Converted to Term**	**Total**
Auto—At origination FICO scores:[1]										
Greater than 660	**$ 12,790**	**$ 9,219**	**$ 9,214**	**$ 6,501**	**$ 1,832**	**$ 578**	**$ 40,134**	**$ 0**	**$ 0**	**$ 40,134**
621-660	**4,316**	**3,827**	**3,262**	**2,291**	**811**	**330**	**14,837**	**0**	**0**	**14,837**
620 or below	**6,045**	**5,331**	**4,071**	**2,935**	**1,453**	**699**	**20,534**	**0**	**0**	**20,534**
Total auto	**23,151**	**18,377**	**16,547**	**11,727**	**4,096**	**1,607**	**75,505**	**0**	**0**	**75,505**
Retail banking—Delinquency status:										
Current	**113**	**78**	**92**	**52**	**54**	**494**	**883**	**342**	**4**	**1,229**
30-59 days	**0**	**0**	**0**	**0**	**0**	**2**	**2**	**11**	**0**	**13**
60-89 days	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**0**	**2**
Greater than 90 days	**0**	**0**	**0**	**0**	**1**	**7**	**8**	**1**	**0**	**9**
Total retail banking	**113**	**78**	**92**	**52**	**55**	**503**	**893**	**356**	**4**	**1,253**
Total consumer banking	**$ 23,264**	**$ 18,455**	**$ 16,639**	**$ 11,779**	**$ 4,151**	**$ 2,110**	**$ 76,398**	**$ 356**	**$ 4**	**$ 76,758**

(Dollars in millions)	December 31, 2023									
	Term Loans by Vintage Year									
	2023	2022	2021	2020	2019	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Auto—At origination FICO scores:[1]										
Greater than 660	$ 12,219	$ 12,593	$ 9,505	$ 3,124	$ 1,213	$ 309	$ 38,963	$ 0	$ 0	$ 38,963
621-660	4,863	4,432	3,346	1,337	592	192	14,762	0	0	14,762
620 or below	6,647	5,539	4,283	2,349	1,131	401	20,350	0	0	20,350
Total auto	23,729	22,564	17,134	6,810	2,936	902	74,075	0	0	74,075
Retail banking—Delinquency status:										
Current	98	157	57	65	117	468	962	363	4	1,329
30-59 days	1	0	1	1	0	1	4	11	0	15
60-89 days	0	0	0	0	0	1	1	2	0	3
Greater than 90 days	0	0	0	0	0	8	8	6	1	15
Total retail banking	99	157	58	66	117	478	975	382	5	1,362
Total consumer banking	$ 23,828	$ 22,721	$ 17,192	$ 6,876	$ 3,053	$ 1,380	$ 75,050	$ 382	$ 5	$ 75,437

(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.

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. 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 September 30, 2024 and December 31, 2023. The internal risk rating status includes all past due loans, both performing and nonperforming.

Table 4.5: Commercial Banking Portfolio by Internal Risk Ratings

	September 30, 2024									
	Term Loans by Vintage Year									
(Dollars in millions)	2024	2023	2022	2021	2020	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Internal risk rating:[(1)]										
Commercial and multifamily real estate										
Noncriticized	$ 1,262	$ 2,300	$ 3,643	$ 2,265	$ 965	$ 5,096	$ 15,531	$ 12,591	$ 50	$ 28,172
Criticized performing	53	91	1,525	294	128	1,048	3,139	161	97	3,397
Criticized nonperforming	23	0	14	141	83	341	602	28	0	630
Total commercial and multifamily real estate	1,338	2,391	5,182	2,700	1,176	6,485	19,272	12,780	147	32,199
Commercial and industrial										
Noncriticized	4,106	6,046	10,197	5,770	2,762	7,001	35,882	14,637	144	50,663
Criticized performing	6	193	781	811	118	367	2,276	978	0	3,254
Criticized nonperforming	62	13	128	17	189	120	529	189	0	718
Total commercial and industrial	4,174	6,252	11,106	6,598	3,069	7,488	38,687	15,804	144	54,635
Total commercial banking	$ 5,512	$ 8,643	$ 16,288	$ 9,298	$ 4,245	$ 13,973	$ 57,959	$ 28,584	$ 291	$ 86,834

(Dollars in millions)	December 31, 2023									
	Term Loans by Vintage Year									
	2023	2022	2021	2020	2019	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Internal risk rating:[1]										
Commercial and multifamily real estate										
Noncriticized	$ 3,068	$ 4,665	$ 2,773	$ 1,019	$ 2,104	$ 3,670	$ 17,299	$ 12,565	$ 25	$ 29,889
Criticized performing	148	1,494	706	284	463	904	3,999	133	0	4,132
Criticized nonperforming	65	26	124	0	47	163	425	0	0	425
Total commercial and multifamily real estate	3,281	6,185	3,603	1,303	2,614	4,737	21,723	12,698	25	34,446
Commercial and industrial										
Noncriticized	6,909	11,935	6,994	3,566	2,359	5,117	36,880	14,822	167	51,869
Criticized performing	353	706	655	237	348	349	2,648	1,189	0	3,837
Criticized nonperforming	13	53	30	18	123	68	305	31	0	336
Total commercial and industrial	7,275	12,694	7,679	3,821	2,830	5,534	39,833	16,042	167	56,042
Total commercial banking	$ 10,556	$ 18,879	$ 11,282	$ 5,124	$ 5,444	$ 10,271	$ 61,556	$ 28,740	$ 192	$ 90,488

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

Financial Difficulty Modifications to Borrowers

As part of our loss mitigation efforts, we may provide short-term (one to twelve months) or long-term (greater than twelve months) modifications to a borrower experiencing financial difficulty to improve long-term collectability of the loan and to avoid the need for repossession or foreclosure of collateral.

We consider the impact of all loan modifications when estimating the credit quality of our loan portfolio and establishing allowance levels. For our Commercial Banking customers, loan modifications are also considered in the assignment of an internal risk rating.

For additional information on Financial Difficulty Modifications ("FDMs"), see "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K.

The following tables present the major modification types, amortized cost amounts for each modification type and financial effects for all FDMs undertaken during the three and nine months ended September 30, 2024 and 2023.

Table 4.6: Financial Difficulty Modifications to Borrowers

	Three Months Ended September 30, 2024									
	Credit Card			Consumer Banking			Commercial Banking			
(Dollars in millions)	Domestic Card	International Card Businesses	Total Credit Card	Auto	Retail Banking	Total Consumer Banking	Commercial and Multifamily Real Estate	Commercial and Industrial	Total Commercial Banking	Total
Interest rate reduction	$ 173	$ 60	$ 233	—	—	—	—	$ 9	$ 9	$ 242
Term extension	—	—	—	$ 10	$ 3	$ 13	$ 286	432	718	731
Principal balance reduction	—	—	—	9	—	9	—	—	—	9
Interest rate reduction and term extension	5	—	5	258	—	258	—	1	1	264
Other[(1)]	—	—	—	2	—	2	21	31	52	54
Total loans modified	$ 178	$ 60	$ 238	$ 279	$ 3	$ 282	$ 307	$ 473	$ 780	$ 1,300
% of total class of receivables	0.12 %	0.83 %	0.15 %	0.37 %	0.22 %	0.37 %	0.96 %	0.87 %	0.90 %	0.41 %

	Nine Months Ended September 30, 2024									
	Credit Card			Consumer Banking			Commercial Banking			
(Dollars in millions)	Domestic Card	International Card Businesses	Total Credit Card	Auto	Retail Banking	Total Consumer Banking	Commercial and Multifamily Real Estate	Commercial and Industrial	Total Commercial Banking	Total
Interest rate reduction	$ 472	$ 113	$ 585	—	—	—	—	$ 9	$ 9	$ 594
Term extension	—	—	—	$ 17	$ 4	$ 21	$ 513	695	1,208	1,229
Principal balance reduction	—	—	—	19	—	19	—	15	15	34
Interest rate reduction and term extension	8	—	8	573	—	573	—	7	7	588
Other[(1)]	—	—	—	3	1	4	159	117	276	280
Total loans modified	$ 480	$ 113	$ 593	$ 612	$ 5	$ 617	$ 672	$ 843	$ 1,515	$ 2,725
% of total class of receivables	0.32 %	1.56 %	0.38 %	0.81 %	0.42 %	0.80 %	2.09 %	1.54 %	1.74 %	0.85 %

	Three Months Ended September 30, 2023									
	Credit Card			Consumer Banking			Commercial Banking			
(Dollars in millions)	Domestic Card	International Card Businesses	Total Credit Card	Auto	Retail Banking	Total Consumer Banking	Commercial and Multifamily Real Estate	Commercial and Industrial	Total Commercial Banking	Total
Interest rate reduction	$ 200	$ 42	$ 242	—	—	—	—	—	—	$ 242
Term extension	—	—	—	$ 14	$ 2	$ 16	$ 128	$ 147	$ 275	291
Principal balance reduction	—	—	—	8	—	8	—	—	—	8
Interest rate reduction and term extension	7	—	7	248	—	248	—	26	26	281
Other[(1)]	—	—	—	2	7	9	—	56	56	65
Total loans modified	$ 207	$ 42	$ 249	$ 272	$ 9	$ 281	$ 128	$ 229	$ 357	$ 887
% of total class of receivables	0.15 %	0.65 %	0.17 %	0.36 %	0.62 %	0.36 %	0.36 %	0.41 %	0.39 %	0.28 %

	Nine Months Ended September 30, 2023									
	Credit Card			Consumer Banking			Commercial Banking			
(Dollars in millions)	Domestic Card	International Card Businesses	Total Credit Card	Auto	Retail Banking	Total Consumer Banking	Commercial and Multifamily Real Estate	Commercial and Industrial	Total Commercial Banking	Total
Interest rate reduction	$ 437	$ 76	$ 513	—	—	—	—	—	—	$ 513
Term extension	—	—	—	$ 76	$ 3	$ 79	$ 327	$ 347	$ 674	753
Principal balance reduction	—	—	—	17	—	17	—	—	—	17
Principal balance reduction and term extension	—	—	—	—	—	—	—	15	15	15
Interest rate reduction and term extension	10	—	10	504	—	504	—	26	26	540
Other[1]	—	—	—	3	7	10	54	151	205	215
Total loans modified	$ 447	$ 76	$ 523	$ 600	$ 10	$ 610	$ 381	$ 539	$ 920	$ 2,053
% of total class of receivables	0.32 %	1.17 %	0.36 %	0.79 %	0.75 %	0.79 %	1.07 %	0.97 %	1.01 %	0.65 %

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(1) Primarily consists of modifications or combinations of modifications not categorized above, such as increases in committed exposure, forbearances and other types of modifications in Commercial Banking.

Table 4.7: Financial Effects of Financial Difficulty Modifications to Borrowers

	Three Months Ended September 30, 2024					
	Credit Card		Consumer Banking		Commercial Banking	
(Dollars in millions)	Domestic Card	International Card Businesses	Auto	Retail Banking	Commercial and Multifamily Real Estate	Commercial and Industrial
Weighted-average interest rate reduction	**20.49%**	**27.01%**	**8.83%**	**—%**	**—%**	**2.14%**
Payment delay duration (in months)	**12**	**—**	**6**	**25**	**18**	**18**
Principal balance reduction	**—**	**—**	**—**	**—**	**—**	**—**

	Nine Months Ended September 30, 2024					
	Credit Card		Consumer Banking		Commercial Banking	
	Domestic Card	International Card Businesses	Auto	Retail Banking	Commercial and Multifamily Real Estate	Commercial and Industrial
Weighted-average interest rate reduction	**20.19%**	**26.76%**	**8.78%**	**3.48%**	**0.79%**	**1.90%**
Payment delay duration (in months)	**12**	**—**	**6**	**4**	**11**	**16**
Principal balance reduction	**—**	**—**	**—**	**—**	**—**	**$15**

	Three Months Ended September 30, 2023					
	Credit Card		Consumer Banking		Commercial Banking	
	Domestic Card	International Card Businesses	Auto	Retail Banking	Commercial and Multifamily Real Estate	Commercial and Industrial
Weighted-average interest rate reduction	19.40%	27.41%	8.67%	—%	—%	0.25%
Payment delay duration (in months)	12	—	6	8	11	17
Principal balance reduction	—	—	—	—	—	—

	Nine Months Ended September 30, 2023					
	Credit Card		Consumer Banking		Commercial Banking	
	Domestic Card	International Card Businesses	Auto	Retail Banking	Commercial and Multifamily Real Estate	Commercial and Industrial
Weighted-average interest rate reduction	19.19%	27.08%	8.74%	2.00%	—%	0.25%
Payment delay duration (in months)	12	—	6	13	15	9
Principal balance reduction	—	—	$1	—	$20	$3

Performance of Financial Difficulty Modifications to Borrowers

We monitor loan performance trends, including FDMs, to assess and manage our exposure to credit risk. See "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K for additional information on how the allowance for modified loans is calculated for each portfolio segment. FDMs are accumulated and the performance of each loan that received an FDM is reported on a rolling twelve month basis.

For the interim reporting period ended September 30, 2024, the delinquency status as of this date is shown in the table below for FDMs entered into over the preceding twelve month period. For the interim reporting period ended September 30, 2023, the delinquency status as of this date is shown in the table below for FDMs entered into during the first nine months of 2023.

Table 4.8 Delinquency Status of Financial Difficulty Modifications to Borrowers[(1)]

	September 30, 2024					
		Delinquent Loans				
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Credit Card:						
Domestic credit card	$ 423	$ 60	$ 45	$ 88	$ 193	$ 616
International card businesses	68	12	11	37	60	128
Total credit card	491	72	56	125	253	744
Consumer Banking:						
Auto	560	112	71	28	211	771
Retail banking	10	0	0	0	0	10
Total consumer banking	570	112	71	28	211	781
Commercial Banking:						
Commercial and multifamily real estate	646	0	0	28	28	674
Commercial and industrial	768	74	4	65	143	911
Total commercial banking	1,414	74	4	93	171	1,585
Total	$ 2,475	$ 258	$ 131	$ 246	$ 635	$ 3,110

	September 30, 2023					
		Delinquent Loans				
(Dollars in millions)	Current	30-59 Days	60-89 Days	≥ 90 Days	Total Delinquent Loans	Total Loans
Credit Card:						
Domestic credit card	$ 283	$ 65	$ 40	$ 59	$ 164	$ 447
International card businesses	35	8	8	25	41	76
Total credit card	318	73	48	84	205	523
Consumer Banking:						
Auto	457	79	46	18	143	600
Retail banking	10	0	0	0	0	10
Total consumer banking	467	79	46	18	143	610
Commercial Banking:						
Commercial and multifamily real estate	318	0	0	63	63	381
Commercial and industrial	417	4	0	118	122	539
Total commercial banking	735	4	0	181	185	920
Total	$ 1,520	$ 156	$ 94	$ 283	$ 533	$ 2,053

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(1) Commitments to lend additional funds on FDMs totaled $263 million and $75 million as of September 30, 2024 and 2023, respectively.

Subsequent Defaults of Financial Difficulty Modifications to Borrowers

FDMs may subsequently enter default. A default occurs if a FDM is either 90 days or more delinquent, has been charged off, or has been reclassified from accrual to nonaccrual status. Loans that entered a modification program while in default are not considered to have subsequently defaulted for purposes of this disclosure. The allowance for any FDMs that have subsequently defaulted is measured using the same methodology as the allowance for loans held for investment. See "Part II—Item 8.—Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K for additional information.

The following table presents FDMs that entered subsequent default for the three and nine months ended September 30, 2024 and 2023.

Table 4.9 Subsequent Defaults of Financial Difficulty Modifications to Borrowers

	Three Months Ended September 30, 2024				
(Dollars in millions)	**Interest Rate Reduction**	**Term Extension**	**Interest Rate Reduction and Term Extension**	**Other Modifications**	**Total Loans**
Credit Card:					
Domestic credit card	$ 52	$ 0	$ 0	$ 0	$ 52
International card businesses	21	0	0	0	21
Total credit card	73	0	0	0	73
Consumer Banking:					
Auto	0	1	110	0	111
Retail banking	0	0	0	0	0
Total consumer banking	0	1	110	0	111
Commercial Banking:					
Commercial and multifamily real estate	0	103	0	28	131
Commercial and industrial	0	0	0	0	0
Total commercial banking	0	103	0	28	131
Total	$ 73	$ 104	$ 110	$ 28	$ 315

	Nine Months Ended September 30, 2024				
(Dollars in millions)	**Interest Rate Reduction**	**Term Extension**	**Interest Rate Reduction and Term Extension**	**Other Modifications**	**Total Loans**
Credit Card:					
Domestic credit card	$ 179	$ 0	$ 2	$ 0	$ 181
International card businesses	56	0	0	0	56
Total credit card	235	0	2	0	237
Consumer Banking:					
Auto	0	6	329	0	335
Retail banking	0	1	0	0	1
Total consumer banking	0	7	329	0	336
Commercial Banking:					
Commercial and multifamily real estate	0	103	0	28	131
Commercial and industrial	0	125	0	255	380
Total commercial banking	0	228	0	283	511
Total	$ 235	$ 235	$ 331	$ 283	$ 1,084

(Dollars in millions)	Three Months Ended September 30, 2023 Interest Rate Reduction	Term Extension	Interest Rate Reduction and Term Extension	Total Loans
Credit Card:				
Domestic credit card	$ 17	$ 0	$ 0	$ 17
International card businesses	6	0	0	6
Total credit card	23	0	0	23
Consumer Banking:				
Auto	0	7	77	84
Total consumer banking	0	7	77	84
Commercial Banking:				
Commercial and multifamily real estate	0	46	0	46
Commercial and industrial	0	51	0	51
Total commercial banking	0	97	0	97
Total	$ 23	$ 104	$ 77	$ 204

(Dollars in millions)	Nine Months Ended September 30, 2023 Interest Rate Reduction	Term Extension	Interest Rate Reduction and Term Extension	Total Loans
Credit Card:				
Domestic credit card	$ 39	$ 0	$ 0	$ 39
International card businesses	9	0	0	9
Total credit card	48	0	0	48
Consumer Banking:				
Auto	0	9	129	138
Total consumer banking	0	9	129	138
Commercial Banking:				
Commercial and multifamily real estate	0	46	0	46
Commercial and industrial	0	51	0	51
Total commercial banking	0	97	0	97
Total	$ 48	$ 106	$ 129	$ 283

Loans Pledged

We pledged loan collateral of $7.2 billion and $7.4 billion to secure a portion of our FHLB borrowing capacity of $37.0 billion and $32.1 billion as of September 30, 2024 and December 31, 2023, respectively. We also pledged loan collateral of $82.4 billion and $78.3 billion to secure our Federal Reserve Discount Window borrowing capacity of $46.9 billion and $41.4 billion as of September 30, 2024 and December 31, 2023, respectively. In addition to loans pledged, we have securitized a portion of our credit card and auto loan portfolios. See "Note 6—Variable Interest Entities and Securitizations" for additional information.

Revolving Loans Converted to Term Loans

For the three and nine months ended September 30, 2024, we converted $267 million and $588 million of revolving loans to term loans, respectively, primarily in our domestic credit card and commercial banking loan portfolios. For the three and nine months ended September 30, 2023, we converted $101 million and $443 million of revolving loans to term loans, respectively, primarily in our domestic credit card and commercial banking loan portfolios.

NOTE 5—ALLOWANCE FOR CREDIT LOSSES AND RESERVE FOR UNFUNDED LENDING COMMITMENTS

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

We have unfunded lending commitments in our Commercial Banking business that are not unconditionally cancellable by us and for which we estimate expected credit losses in establishing a reserve. This reserve is measured using the same measurement objectives as the allowance for loans held for investment. We build or release the reserve for unfunded lending commitments through the provision for credit losses in our consolidated statements of income, and the related reserve for unfunded lending commitments is included in other liabilities on our consolidated balance sheets.

See "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K for further discussion of the methodology and policies for determining our allowance for credit losses for each of our loan portfolio segments, as well as information on our reserve for unfunded lending commitments.

Allowance for Credit Losses and Reserve for Unfunded Lending Commitments Activity

The table below summarizes changes in the allowance for credit losses and reserve for unfunded lending commitments by portfolio segment for the three and nine months ended September 30, 2024 and 2023. Our allowance for credit losses increased by $1.2 billion to $16.5 billion as of September 30, 2024 from December 31, 2023.

Table 5.1: Allowance for Credit Losses and Reserve for Unfunded Lending Commitments Activity

	Three Months Ended September 30, 2024			
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Total
Allowance for credit losses:				
Balance as of June 30, 2024	$ 13,040	$ 2,065	$ 1,544	$ 16,649
Charge-offs	**(2,632)**	**(707)**	**(88)**	**(3,427)**
Recoveries[1]	**478**	**306**	**39**	**823**
Net charge-offs	**(2,154)**	**(401)**	**(49)**	**(2,604)**
Provision for credit losses	**2,084**	**351**	**35**	**2,470**
Allowance release for credit losses	**(70)**	**(50)**	**(14)**	**(134)**
Other changes[2]	**19**	**0**	**0**	**19**
Balance as of September 30, 2024	**12,989**	**2,015**	**1,530**	**16,534**
Reserve for unfunded lending commitments:				
Balance as of June 30, 2024	0	0	129	129
Provision for losses on unfunded lending commitments	**0**	**0**	**13**	**13**
Balance as of September 30, 2024	**0**	**0**	**142**	**142**
Combined allowance and reserve as of September 30, 2024	**$ 12,989**	**$ 2,015**	**$ 1,672**	**$ 16,676**

(Dollars in millions)	Nine Months Ended September 30, 2024 Credit Card	Consumer Banking	Commercial Banking	Total
Allowance for credit losses:				
Balance as of December 31, 2023	$ 11,709	$ 2,042	$ 1,545	$ 15,296
Charge-offs	**(7,892)**	**(2,003)**	**(166)**	**(10,061)**
Recoveries[1]	**1,273**	**869**	**55**	**2,197**
Net charge-offs	**(6,619)**	**(1,134)**	**(111)**	**(7,864)**
Provision for credit losses	**7,888**	**1,107**	**96**	**9,091**
Allowance build (release) for credit losses[3]	**1,269**	**(27)**	**(15)**	**1,227**
Other changes[2]	**11**	**0**	**0**	**11**
Balance as of September 30, 2024	**12,989**	**2,015**	**1,530**	**16,534**
Reserve for unfunded lending commitments:				
Balance as of December 31, 2023	0	0	158	158
Provision (benefit) for losses on unfunded lending commitments	**0**	**0**	**(16)**	**(16)**
Balance as of September 30, 2024	**0**	**0**	**142**	**142**
Combined allowance and reserve as of September 30, 2024	**$ 12,989**	**$ 2,015**	**$ 1,672**	**$ 16,676**

(Dollars in millions)	Three Months Ended September 30, 2023 Credit Card	Consumer Banking	Commercial Banking	Total
Allowance for credit losses:				
Balance as of June 30, 2023	$ 10,976	$ 2,185	$ 1,485	$ 14,646
Charge-offs	(1,925)	(596)	(60)	(2,581)
Recoveries[1]	333	247	2	582
Net charge-offs	(1,592)	(349)	(58)	(1,999)
Provision for credit losses	1,953	213	155	2,321
Allowance build (release) for credit losses	361	(136)	97	322
Other changes[2]	(13)	0	0	(13)
Balance as of September 30, 2023	11,324	2,049	1,582	14,955
Reserve for unfunded lending commitments:				
Balance as of June 30, 2023	0	0	197	197
Provision (benefit) for losses on unfunded lending commitments	0	0	(39)	(39)
Balance as of September 30, 2023	0	0	158	158
Combined allowance and reserve as of September 30, 2023	$ 11,324	$ 2,049	$ 1,740	$ 15,113

(Dollars in millions)	Nine Months Ended September 30, 2023			
	Credit Card	Consumer Banking	Commercial Banking	Total
Allowance for credit losses:				
Balance as of December 31, 2022	$ 9,545	$ 2,237	$ 1,458	$ 13,240
Cumulative effects of accounting standards adoption[4]	(63)	0	0	(63)
Balance as of January 1, 2023	9,482	2,237	1,458	13,177
Charge-offs	(5,481)	(1,653)	(462)	(7,596)
Recoveries[1]	992	718	5	1,715
Net charge-offs	(4,489)	(935)	(457)	(5,881)
Provision for credit losses	6,298	747	581	7,626
Allowance build (release) for credit losses	1,809	(188)	124	1,745
Other changes[2]	33	0	0	33
Balance as of September 30, 2023	11,324	2,049	1,582	14,955
Reserve for unfunded lending commitments:				
Balance as of December 31, 2022	0	0	218	218
Provision (benefit) for losses on unfunded lending commitments	0	0	(60)	(60)
Balance as of September 30, 2023	0	0	158	158
Combined allowance and reserve as of September 30, 2023	$ 11,324	$ 2,049	$ 1,740	$ 15,113

(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) Primarily represents foreign currency translation adjustments in the three and nine months ended September 30, 2024 as well as the three months ended September 30, 2023. Primarily represents the initial allowance for purchased credit-deteriorated ("PCD") loans in the nine months ended September 30, 2023. The initial allowance of PCD loans was $0 million and $32 million for the nine months ended September 30, 2024 and 2023, respectively.

(3) The termination of our Walmart program agreement, effective May 21, 2024, ("Walmart Program Termination") resulted in an allowance for credit losses build in Domestic Card of $826 million in the second quarter of 2024.

(4) Impact from the adoption of ASU No. 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings ("TDR") and Vintage Disclosures as of January 1, 2023.

We charge off loans when we determine that the loan is uncollectible. The amortized cost basis, excluding accrued interest, is charged off as a reduction to the allowance for credit losses in accordance with our accounting policies. For more information, see "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K.

Expected recoveries of amounts previously charged off or expected to be charged off are recognized within the allowance, with a corresponding reduction to our provision for credit losses.

The table below presents gross charge-offs for loans held for investment by vintage year during the nine months ended September 30, 2024.

Table 5.2: Gross Charge-Offs by Vintage Year

	Nine Months Ended September 30, 2024									
	Term Loans by Vintage Year									
(Dollars in millions)	2024	2023	2022	2021	2020	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total
Credit Card										
Domestic credit card	N/A	N/A	N/A	N/A	N/A	N/A	N/A	$ 7,425	$ 84	$ 7,509
International card business	N/A	N/A	N/A	N/A	N/A	N/A	N/A	373	10	383
Total credit card	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7,798	94	7,892
Consumer Banking										
Auto	$ 70	$ 474	$ 630	$ 457	$ 184	$ 126	$ 1,941	0	0	1,941
Retail banking	1	0	0	0	0	3	4	57	1	62
Total consumer banking	71	474	630	457	184	129	1,945	57	1	2,003
Commercial Banking										
Commercial and multifamily real estate	0	0	5	31	0	49	85	0	0	85
Commercial and industrial	0	0	46	5	16	4	71	10	0	81
Total commercial banking	0	0	51	36	16	53	156	10	0	166
Total	$ 71	$ 474	$ 681	$ 493	$ 200	$ 182	$ 2,101	$ 7,865	$ 95	$ 10,061

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 in net charge-offs and the provision for credit losses. See "Part II—Item 8. Financial Statements and Supplementary Data—Note 1—Summary of Significant Accounting Policies" in our 2023 Form 10-K for further discussion of our credit card partnership agreements.

The table below summarizes the changes in the estimated reimbursements from these partners for the three and nine months ended September 30, 2024 and 2023.

Table 5.3: Summary of Credit Card Partnership Loss Sharing Arrangements Impacts

	Three Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**
Estimated reimbursements from partners, beginning of period	$ 1,210	$ 1,908
Amounts due from partners for charged off loans	**(157)**	(249)
Change in estimated partner reimbursements that decreased provision for credit losses	**102**	319
Estimated reimbursements from partners, end of period	**$ 1,155**	$ 1,978

	Nine Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**
Estimated reimbursements from partners, beginning of period	$ 2,014	$ 1,558
Amounts due from partners for charged off loans	**(734)**	(681)
Change in estimated partner reimbursements that (increased) decreased provision for credit losses	**(125)**	1,101
Estimated reimbursements from partners, end of period	**$ 1,155**	$ 1,978

NOTE 6—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 provide a source of funding for us and enable us to transfer a certain portion of the economic risk of the loans or related debt securities to third parties.

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE. The majority of the VIEs in which we are involved have been consolidated in our financial statements.

Summary of Consolidated and Unconsolidated VIEs

The assets of our consolidated VIEs primarily consist of cash, loan receivables and the related allowance for credit losses, which we report on our consolidated balance sheets under restricted cash for securitization investors, loans held in consolidated trusts and allowance for credit losses, respectively. The assets of a particular VIE are the primary source of funds to settle its obligations. Creditors of these VIEs typically do not have recourse to our general credit. Liabilities primarily consist of debt securities issued by the VIEs, which we report under securitized debt obligations on our consolidated balance sheets. For unconsolidated VIEs, we present the carrying amount of assets and liabilities reflected on our consolidated balance sheets and our maximum exposure to loss. Our maximum exposure to loss is estimated based on the unlikely event that all of the assets in the VIEs become worthless and we are required to meet the maximum amount of any remaining funding obligations.

The tables below present a summary of VIEs in which we had continuing involvement or held a significant variable interest, aggregated based on VIEs with similar characteristics as of September 30, 2024 and December 31, 2023. We separately present information for consolidated and unconsolidated VIEs.

Table 6.1: Carrying Amount of Consolidated and Unconsolidated VIEs

	September 30, 2024				
	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]	$ 24,000	$ 13,495	$ 0	$ 0	$ 0
Auto loan securitizations	3,473	2,788	0	0	0
Total securitization-related VIEs	27,473	16,283	0	0	0
Other VIEs:[3]					
Affordable housing entities	354	75	5,469	1,890	5,469
Entities that provide capital to low-income and rural communities	2,639	10	0	0	0
Other[4]	0	0	385	8	385
Total other VIEs	2,993	85	5,854	1,898	5,854
Total VIEs	$ 30,466	$ 16,368	$ 5,854	$ 1,898	$ 5,854

(Dollars in millions)	December 31, 2023				
	Consolidated		Unconsolidated		
	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]	$ 25,474	$ 14,692	$ 0	$ 0	$ 0
Auto loan securitizations	5,019	4,021	0	0	0
Total securitization-related VIEs	30,493	18,713	0	0	0
Other VIEs:[3]					
Affordable housing entities	297	23	5,726	2,085	5,726
Entities that provide capital to low-income and rural communities	2,498	10	0	0	0
Other[4]	0	0	449	0	449
Total other VIEs	2,795	33	6,175	2,085	6,175
Total VIEs	$ 33,288	$ 18,746	$ 6,175	$ 2,085	$ 6,175

(1) Excludes insignificant VIEs from previously exited businesses.

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

(3) In certain investment structures, we consolidate a VIE which 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 $2.6 billion of assets and $999 million of liabilities as of September 30, 2024, and $2.6 billion of assets and $989 million of liabilities as of December 31, 2023.

(4) Primarily consists of variable interests in companies that promote renewable energy sources and other equity method investments.

Securitization-Related VIEs

In a securitization transaction, assets are transferred to a trust, which generally meets the definition of a VIE. We engage in securitization activities as an issuer and an investor. Our primary securitization issuance activity includes credit card and auto securitizations, conducted through securitization trusts which we consolidate. Our continuing involvement in these securitization transactions mainly consists of acting as the primary servicer and holding certain retained interests.

In our multifamily agency business, we originate multifamily commercial real estate loans and transfer them to government-sponsored enterprises ("GSEs") who may, in turn, securitize them. We retain the related mortgage servicing rights ("MSRs") and service the transferred loans pursuant to the guidelines set forth by the GSEs. As an investor, we hold primarily RMBS, CMBS, and ABS in our investment securities portfolio, which represent variable interests in the respective securitization trusts from which those securities were issued. We do not consolidate the securitization trusts employed in these transactions as we do not have the power to direct the activities that most significantly impact the economic performance of these securitization trusts. We exclude these VIEs from the tables within this note because we do not consider our continuing involvement with these VIEs to be significant as we either solely 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 ourselves. 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 14—Commitments, Contingencies, Guarantees and Others" for information about the loss sharing agreements, "Note 7—Goodwill and Other Intangible Assets" for information related to our MSRs associated with these securitizations and "Note 3—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 excluded these VIEs from the tables presented in this note. See "Note 4—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 September 30, 2024 and December 31, 2023.

Table 6.2: Continuing Involvement in Securitization-Related VIEs

(Dollars in millions)	Credit Card	Auto
September 30, 2024:		
Securities held by third-party investors	**$ 13,098**	**$ 2,783**
Receivables in the trusts	**24,867**	**3,315**
Cash balance of spread or reserve accounts	**0**	**19**
Retained interests	**Yes**	**Yes**
Servicing retained	**Yes**	**Yes**
December 31, 2023:		
Securities held by third-party investors	$ 14,029	$ 4,014
Receivables in the trusts	26,404	4,839
Cash balance of spread or reserve accounts	0	19
Retained interests	Yes	Yes
Servicing retained	Yes	Yes

Credit Card Securitizations

We securitize a portion of our credit card loans which provides a source of funding for us. Credit card securitizations involve the transfer of credit card receivables to securitization trusts. These trusts then issue debt securities collateralized by the transferred receivables to third-party investors. We hold certain retained interests in our credit card securitizations and continue to service the receivables in these trusts. We consolidate these trusts because we are deemed to be the primary beneficiary as we have the power to direct the activities that most significantly impact the economic performance of the trusts, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the trusts.

Auto Securitizations

Similar to our credit card securitizations, we securitize a portion of our auto loans which provides a source of funding for us. Auto securitizations involve the transfer of auto loans to securitization trusts. These trusts then issue debt securities collateralized by the transferred loans to third-party investors. We hold certain retained interests and continue to service the loans in these trusts. We consolidate these trusts because we are deemed to be the primary beneficiary as we have the power to direct the activities that most significantly impact the economic performance of the trusts, and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the trusts.

Other VIEs

Affordable Housing Entities

As part of our community reinvestment initiatives, we invest in private investment funds that make equity investments in multifamily affordable housing properties, a majority of which are VIEs. 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 our investments in qualified affordable housing projects using the proportional amortization method, where costs of the investment are amortized 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 nine months ended September 30, 2024 and 2023, we recognized amortization of $527 million and $522 million, respectively, and tax credits of $671 million and $652 million, respectively, associated with these investments within income tax provision. The carrying value of our equity investments in these qualified affordable housing projects was $5.3 billion and $5.5 billion as of September 30, 2024 and December 31, 2023, 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 $2.1 billion and $2.3 billion as of September 30, 2024 and December 31, 2023, respectively, and is largely expected to be paid from 2024 to 2027.

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 $5.5 billion and $5.7 billion as of September 30, 2024 and December 31, 2023, 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 $18.7 billion and $18.6 billion as of September 30, 2024 and December 31, 2023, respectively.

Entities that Provide Capital to Low-Income and Rural Communities

We hold variable interests in entities ("Investor Entities") that invest in community development entities ("CDEs") that provide debt financing to businesses and non-profit entities in low-income and rural communities. Variable interests in the CDEs held by the consolidated Investor Entities are also our variable interests. The activities of the Investor Entities are financed with a combination of invested equity capital and debt. The activities of the CDEs are financed solely with invested equity capital. We receive federal and state tax credits for these investments. We consolidate the VIEs in which we have the power to direct the activities that most significantly impact the VIE's economic performance and where we have the obligation to absorb losses or right to receive benefits that could potentially be 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 $2.6 billion and $2.5 billion as of September 30, 2024 and December 31, 2023, respectively, are reflected on our consolidated balance sheets in cash, loans held for investment, and other assets. The liabilities are reflected in other liabilities. The creditors of the VIEs have no recourse to our general credit. We have not provided additional financial or other support other than during the period that we are contractually required to provide it.

Other

We hold variable interests in other VIEs, including companies that promote renewable energy sources and other equity method investments. We are not required to consolidate these VIEs because we do not have the power to direct the activities that most significantly impact their economic performance. Our maximum exposure to these VIEs is limited to the investments on our consolidated balance sheets of $385 million and $449 million as of September 30, 2024 and December 31, 2023, 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 7—GOODWILL AND OTHER INTANGIBLE ASSETS

The table below presents our goodwill, other intangible assets and MSRs as of September 30, 2024 and December 31, 2023. Goodwill is presented separately, while other intangible assets and MSRs are included in other assets on our consolidated balance sheets.

Table 7.1: Components of Goodwill, Other Intangible Assets and MSRs

	September 30, 2024		
(Dollars in millions)	Carrying Amount of Assets	Accumulated Amortization	Net Carrying Amount
Goodwill	**$ 15,083**	**N/A**	**$ 15,083**
Other intangible assets:			
Purchased credit card relationship ("PCCR") intangibles	**369**	**$ (147)**	**222**
Other[1]	**135**	**(104)**	**31**
Total other intangible assets	**504**	**(251)**	**253**
Total goodwill and other intangible assets	**$ 15,587**	**$ (251)**	**$ 15,336**
Commercial MSRs[2]	**$ 658**	**$ (301)**	**$ 357**

	December 31, 2023		
(Dollars in millions)	Carrying Amount of Assets	Accumulated Amortization	Net Carrying Amount
Goodwill	$ 15,065	N/A	$ 15,065
Other intangible assets:			
Purchased credit card relationship ("PCCR") intangibles	369	$ (96)	273
Other[1]	171	(134)	37
Total other intangible assets	540	(230)	310
Total goodwill and other intangible assets	$ 15,605	$ (230)	$ 15,375
Commercial MSRs[2]	$ 653	$ (263)	$ 390

(1) Primarily consists of intangibles for sponsorship, customer and merchant relationships, domain names and licenses.

(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 $20 million and $58 million for the three and nine months ended September 30, 2024, respectively, and $24 million and $60 million for the three and nine months ended September 30, 2023, respectively.

Goodwill

The following table presents changes in the carrying amount of goodwill by each of our business segments as of September 30, 2024 and December 31, 2023.

Table 7.2: Goodwill by Business Segments

(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking	Total
Balance as of December 31, 2023	$ 5,366	$ 4,645	$ 5,054	$ 15,065
Other adjustments[1]	**18**	**0**	**0**	**18**
Balance as of September 30, 2024	**$ 5,384**	**$ 4,645**	**$ 5,054**	**$ 15,083**

(1) Primarily represents foreign currency translation adjustments.

NOTE 8—DEPOSITS AND BORROWINGS

Our deposits, which include checking accounts, money market deposits, negotiable order of withdrawals, savings deposits and time deposits, represent our largest source of funding for our assets and operations. 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, securities loaned or sold under agreements to repurchase and FHLB advances. 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 September 30, 2024 and December 31, 2023. The carrying value presented below for these borrowings includes any unamortized debt premiums and discounts, net of debt issuance costs and fair value hedge accounting adjustments.

Table 8.1: Components of Deposits, Short-Term Borrowings and Long-Term Debt

(Dollars in millions)	September 30, 2024	December 31, 2023
Deposits:		
Non-interest-bearing deposits	**$ 26,378**	$ 28,024
Interest-bearing deposits[1]	**327,253**	320,389
Total deposits	**$ 353,631**	$ 348,413
Short-term borrowings:		
Federal funds purchased and securities loaned or sold under agreements to repurchase	**$ 520**	$ 538
Total short-term borrowings	**$ 520**	$ 538

	September 30, 2024				December 31, 2023
(Dollars in millions)	Maturity Dates	Stated Interest Rates	Weighted-Average Interest Rate	Carrying Value	Carrying Value
Long-term debt:					
Securitized debt obligations	**2024-2028**	**0.77% - 6.11%**	**3.13%**	**$ 15,881**	$ 18,043
Senior and subordinated notes:					
Fixed unsecured senior debt[2]	**2024-2035**	**1.65 - 7.62**	**4.76**	**29,102**	27,168
Floating unsecured senior debt	**—**	**—**	**—**	**0**	349
Total unsecured senior debt			**4.76**	**29,102**	27,517
Fixed unsecured subordinated debt	**2025-2032**	**2.36 - 4.20**	**3.57**	**3,809**	3,731
Total senior and subordinated notes				**32,911**	31,248
Other long-term borrowings	**2024-2031**	**1.20 - 9.91**	**6.59**	**24**	27
Total long-term debt				**$ 48,816**	$ 49,318
Total short-term borrowings and long-term debt				**$ 49,336**	$ 49,856

(1) Some customers have time deposits in excess of the federal deposit insurance limit, making a portion of the deposit uninsured. As of September 30, 2024, the total time deposit amount with some portion in excess of the insured amount was $14.7 billion and the portion of total time deposits estimated to be uninsured was $9.7 billion. As of December 31, 2023, the total time deposit amount with some portion in excess of the insured amount was $15.8 billion and the portion of total time deposits estimated to be uninsured was $9.0 billion.

(2) Includes $506 million and $1.3 billion of Euro (“EUR”) denominated unsecured notes as of September 30, 2024 and December 31, 2023, respectively.

NOTE 9—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 certain exposures denominated in foreign currencies. We primarily use interest rate and foreign currency swaps to perform these hedging activities, 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 offset the substantial majority of the market risk exposure of our customer accommodation derivatives through derivative transactions with other counterparties.

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. We enter into receive-fixed, pay-float interest rate swaps to hedge changes in the fair value of outstanding fixed rate debt and deposits due to fluctuations in market interest rates. We also enter into pay-fixed, receive-float interest rate swaps to hedge changes in the fair value of fixed rate investment securities.

- *Cash Flow Hedges:* We designate derivatives as cash flow hedges when they are used to manage our exposure to variability in cash flows related to forecasted transactions. Changes in the fair value of derivatives designated as cash flow hedges are recorded as a component of accumulated other comprehensive income (“AOCI”). Those amounts are reclassified into earnings in the same period during which the hedged 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. We enter into receive-fixed, pay-float interest rate swaps and interest rate floors to modify the interest rate characteristics of designated credit card and commercial loans from floating to fixed in order to reduce the impact of changes in forecasted future cash flows due to fluctuations in market interest rates. We also enter into foreign currency forward contracts to hedge our exposure to variability in cash flows related to intercompany borrowings denominated in foreign currencies.

- *Net Investment Hedges:* We use net investment hedges to manage the foreign currency exposure related to our net investments in foreign operations that have functional currencies other than the U.S. dollar. Changes in the fair value of net investment hedges are recorded in the translation adjustment component of AOCI, offsetting the translation gain or loss from those foreign operations. We execute net investment hedges using foreign currency forward contracts to hedge the translation exposure of the net investment in our foreign operations under the forward method.

- *Free-Standing Derivatives:* Our free-standing derivatives primarily consist of our customer accommodation derivatives and other economic hedges. The customer accommodation derivatives and the related offsetting contracts are mainly interest rate, commodity and foreign currency contracts. The other free-standing derivatives are primarily used to economically hedge the risk of changes in the fair value of our commercial mortgage loan origination and purchase commitments as well as other interests held. Changes in the fair value of free-standing derivatives are recorded in earnings as a component of other non-interest income.

Derivatives Counterparty Credit Risk

Counterparty Types

Derivative instruments contain an element of credit risk that stems from the potential failure of a counterparty to perform according to the terms of the contract, including making payments due upon maturity of certain derivative instruments. We execute our derivative contracts primarily in "over-the-counter" ("OTC") markets. We also execute interest rate and commodity futures in the exchange-traded derivative markets. Our OTC derivatives consist of both trades cleared through central counterparty clearinghouses ("CCPs") and uncleared bilateral contracts. The Chicago Mercantile Exchange ("CME"), the Intercontinental Exchange ("ICE") and the LCH Group ("LCH") are our CCPs for our centrally cleared contracts. In our uncleared bilateral contracts, we enter into agreements directly with our derivative counterparties.

Counterparty Credit Risk Management

We manage the counterparty credit risk associated with derivative instruments by entering into legally enforceable master netting agreements, where applicable, and exchanging collateral with our counterparties, typically in the form of cash or high-quality liquid securities. We exchange collateral in two primary forms: variation margin, which accounts for changes in market value due to daily market movements, and initial margin, which offsets the potential future exposure of a derivative. We exchange variation margin and initial margin on bilateral derivatives in scope for uncleared margin rules.

The amount of collateral exchanged for variation margin is dependent upon the fair value of the derivative instruments as well as the fair value of the pledged collateral and will vary over time as market variables change. The amount of the initial margin exchanged is dependent upon 1) the calculation of initial margin exposure, as prescribed by 1(a) the U.S. prudential regulators' margin rules for uncleared derivatives ("PR Rules") or 1(b) the CCPs for cleared derivatives and 2) the fair value of the pledged collateral; it will vary over time as market variables change. When valuing collateral, an estimate of the variation in price and liquidity over time is subtracted in the form of a "haircut" to discount the value of the collateral pledged. Our exposure to derivative counterparty credit risk, at any point in time, is equal to the amount reported as a derivative asset on our balance sheet. The fair value of our derivatives is adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and any associated collateral received or pledged. See Table 9.3 for our net exposure associated with derivatives.

The terms under which we collateralize our exposures differ between cleared exposures and uncleared bilateral exposures.

- *CCPs*: We clear eligible OTC derivatives with CCPs as part of our regulatory requirements. We also clear exchange-traded instruments, like futures, with CCPs. Futures commission merchants ("FCMs") serve as the intermediary between CCPs and us. CCPs require that we post initial and variation margin through our FCMs to mitigate the risk of non-payment or default. Initial margin is required by CCPs as collateral against potential losses on our exchange-traded and cleared derivative contracts and variation margin is exchanged on a daily basis to account for mark-to-market changes in those derivative contracts. For CME, ICE and LCH-cleared OTC derivatives, variation margin cash payments are required to be characterized as settlements. Our FCM agreements governing these derivative transactions include provisions that may require us to post additional collateral under certain circumstances.
- *Bilateral Counterparties*: We enter into master netting agreements and collateral agreements with bilateral derivative counterparties, where applicable, to mitigate the risk of default. These bilateral agreements typically provide the right to offset exposure with the same counterparty and require the party in a net liability position to post collateral. Agreements with certain bilateral counterparties require both parties to maintain collateral in the event the fair values of uncleared derivatives exceed established exposure thresholds. Certain of these bilateral agreements include provisions requiring that our debt maintain a credit rating of investment grade or above by each of the major credit rating agencies. In the event of a downgrade of our debt credit rating below investment grade, some of our counterparties would have the right to terminate their derivative contract and close out existing positions.

Credit Risk Valuation Adjustments

We record counterparty credit valuation adjustments ("CVAs") on our derivative assets to reflect the credit quality of our counterparties. We consider collateral and legally enforceable master netting agreements that mitigate our credit exposure to each counterparty in determining CVAs, which may be adjusted due to changes in the fair values of the derivative contracts, collateral, and creditworthiness of the counterparty. We also record debit valuation adjustments ("DVAs") to adjust the fair values of our derivative liabilities to reflect the impact of our own credit quality.

Balance Sheet Presentation

The following table summarizes the notional amounts and fair values of our derivative instruments as of September 30, 2024 and December 31, 2023, 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 9.1: Derivative Assets and Liabilities at Fair Value

	September 30, 2024			December 31, 2023		
		Derivative[1]			Derivative[1]	
(Dollars in millions)	Notional or Contractual Amount	Assets	Liabilities	Notional or Contractual Amount	Assets	Liabilities
Derivatives designated as accounting hedges:						
Interest rate contracts:						
Fair value hedges	**$ 64,284**	**$ 8**	**$ 82**	$ 68,987	$ 18	$ 26
Cash flow hedges	**93,050**	**307**	**80**	70,350	216	23
Total interest rate contracts	**157,334**	**315**	**162**	139,337	234	49
Foreign exchange contracts:						
Fair value hedges	**557**	**0**	**66**	1,380	0	113
Cash flow hedges	**2,645**	**0**	**59**	2,488	0	66
Net investment hedges	**5,100**	**2**	**174**	4,870	1	89
Total foreign exchange contracts	**8,302**	**2**	**299**	8,738	1	268
Total derivatives designated as accounting hedges	**165,636**	**317**	**461**	148,075	235	317
Derivatives not designated as accounting hedges:						
Customer accommodation:						
Interest rate contracts	**103,279**	**844**	**929**	103,489	1,188	1,382
Commodity contracts	**35,647**	**1,177**	**1,182**	33,495	1,161	1,147
Foreign exchange and other contracts	**5,580**	**31**	**39**	5,153	50	47
Total customer accommodation	**144,506**	**2,052**	**2,150**	142,137	2,399	2,576
Other interest rate exposures[2]	**921**	**19**	**14**	872	21	31
Other contracts	**3,011**	**20**	**32**	2,955	20	8
Total derivatives not designated as accounting hedges	**148,438**	**2,091**	**2,196**	145,964	2,440	2,615
Total derivatives	**$ 314,074**	**$ 2,408**	**$ 2,657**	$ 294,039	$ 2,675	$ 2,932
Less: netting adjustment[3]		**(725)**	**(622)**		(1,005)	(597)
Total derivative assets/liabilities		**$ 1,683**	**$ 2,035**		$ 1,670	$ 2,335

(1) Does not reflect $3 million and $2 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of September 30, 2024 and December 31, 2023, respectively. This net valuation allowance is included as 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 September 30, 2024 and December 31, 2023.

Table 9.2: Hedged Items in Fair Value Hedging Relationships

	September 30, 2024			December 31, 2023		
		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)	**$ 6,191**	**$ 78**	**$ 87**	$ 6,108	$ (8)	$ 126
Interest-bearing deposits	**(11,292)**	**64**	**0**	(17,374)	277	0
Securitized debt obligations	**(13,042)**	**242**	**0**	(13,375)	503	0
Senior and subordinated notes	**(31,410)**	**385**	**(258)**	(30,899)	971	(372)

(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 $1.4 billion and $2.2 billion as of September 30, 2024 and December 31, 2023, respectively. The amount of the designated hedged items was $1.0 billion and $1.5 billion as of September 30, 2024 and December 31, 2023, respectively. The cumulative basis adjustments associated with these hedges was $32 million and $33 million as of September 30, 2024 and December 31, 2023, respectively.

(2) Carrying value represents amortized cost.

Balance Sheet Offsetting of Financial Assets and Liabilities

Derivative contracts and repurchase agreements that we execute bilaterally in the OTC market are generally governed by enforceable master netting agreements where we generally have the right to offset exposure with the same counterparty. Either counterparty can generally request to net settle all contracts through a single payment upon default on, or termination of, any one contract. We elect to offset the derivative assets and liabilities under master netting agreements for balance sheet presentation where a right of setoff exists. For derivative contracts entered into under master netting agreements for which we have not been able to confirm the enforceability of the setoff rights, or those not subject to master netting agreements, we do not offset our derivative positions for balance sheet presentation.

The following table presents the gross and net fair values of our derivative assets, derivative liabilities, resale and repurchase agreements and the related offsetting amounts permitted under U.S. GAAP as of September 30, 2024 and December 31, 2023. 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 9.3: Offsetting of Financial Assets and Financial Liabilities

(Dollars in millions)	Gross Amounts	Gross Amounts Offset in the Balance Sheet: Financial Instruments	Gross Amounts Offset in the Balance Sheet: Cash Collateral Received	Net Amounts as Recognized	Securities Collateral Held Under Master Netting Agreements	Net Exposure
As of September 30, 2024						
Derivative assets[1]	**$ 2,408**	**$ (474)**	**$ (251)**	**$ 1,683**	**$ (11)**	**$ 1,672**
As of December 31, 2023						
Derivative assets[1]	2,675	(433)	(572)	1,670	(22)	1,648

(Dollars in millions)	Gross Amounts	Gross Amounts Offset in the Balance Sheet: Financial Instruments	Gross Amounts Offset in the Balance Sheet: Cash Collateral Pledged	Net Amounts as Recognized	Securities Collateral Pledged Under Master Netting Agreements	Net Exposure
As of September 30, 2024						
Derivative liabilities[1]	**$ 2,657**	**$ (474)**	**$ (148)**	**$ 2,035**	**$ (27)**	**$ 2,008**
Repurchase agreements[2]	**520**	**0**	**0**	**520**	**(520)**	**0**
As of December 31, 2023						
Derivative liabilities[1]	2,932	(433)	(164)	2,335	(13)	2,322
Repurchase agreements[2]	538	0	0	538	(538)	0

(1) We received cash collateral from derivative counterparties totaling $428 million and $858 million as of September 30, 2024 and December 31, 2023, respectively. We also received securities from derivative counterparties with a fair value of approximately $11 million and $16 million as of September 30, 2024 and December 31, 2023, respectively, which we have the ability to re-pledge. We posted $1.7 billion of cash collateral as of both September 30, 2024 and December 31, 2023.

(2) Under our customer repurchase agreements, which mature the next business day, we pledged collateral with a fair value of $531 million and $549 million as of September 30, 2024 and December 31, 2023, respectively, primarily consisting of agency RMBS securities.

Income Statement and AOCI Presentation

Fair Value and Cash Flow Hedges

The net gains (losses) recognized in our consolidated statements of income related to derivatives in fair value and cash flow hedging relationships are presented below for the three and nine months ended September 30, 2024 and 2023.

Table 9.4: Effects of Fair Value and Cash Flow Hedge Accounting

	Three Months Ended September 30, 2024						
	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	**$ 733**	**$ 10,547**	**$ 580**	**$ (2,945)**	**$ (234)**	**$ (596)**	**$ 244**
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	**$ 39**	**$ 0**	**$ 0**	**$ (73)**	**$ (102)**	**$ (248)**	**$ 0**
Gains (losses) recognized on derivatives	**(144)**	**0**	**0**	**247**	**210**	**1,010**	**21**
Gains (losses) recognized on hedged items[1]	**128**	**0**	**0**	**(246)**	**(210)**	**(973)**	**(21)**
Excluded component of fair value hedges[2]	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net income (expense) recognized on fair value hedges	**$ 23**	**$ 0**	**$ 0**	**$ (72)**	**$ (102)**	**$ (211)**	**$ 0**
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains (losses) reclassified from AOCI into net income	**$ 0**	**$ (314)**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Foreign exchange contracts:							
Realized gains (losses) reclassified from AOCI into net income[4]	**0**	**0**	**2**	**0**	**0**	**0**	**1**
Net income (expense) recognized on cash flow hedges	**$ 0**	**$ (314)**	**$ 2**	**$ 0**	**$ 0**	**$ 0**	**$ 1**

(Dollars in millions)	Nine Months Ended September 30, 2024						
	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	**$ 2,120**	**$ 30,460**	**$ 1,737**	**$ (8,631)**	**$ (753)**	**$ (1,793)**	**$ 803**
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	**$ 125**	**$ 0**	**$ 0**	**$ (277)**	**$ (339)**	**$ (771)**	**$ 0**
Gains (losses) recognized on derivatives	**(137)**	**0**	**0**	**213**	**261**	**742**	**(18)**
Gains (losses) recognized on hedged items[1]	**86**	**0**	**0**	**(213)**	**(261)**	**(627)**	**18**
Excluded component of fair value hedges[2]	**0**	**0**	**0**	**0**	**0**	**7**	**0**
Net income (expense) recognized on fair value hedges	**$ 74**	**$ 0**	**$ 0**	**$ (277)**	**$ (339)**	**$ (649)**	**$ 0**
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains (losses) reclassified from AOCI into net income	**$ 0**	**$ (936)**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Foreign exchange contracts:							
Realized gains (losses) reclassified from AOCI into net income[4]	**0**	**0**	**7**	**0**	**0**	**0**	**1**
Net income (expense) recognized on cash flow hedges	**$ 0**	**$ (936)**	**$ 7**	**$ 0**	**$ 0**	**$ 0**	**$ 1**

(Dollars in millions)	Three Months Ended September 30, 2023						
	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	$ 627	$ 9,696	$ 550	$ (2,611)	$ (249)	$ (579)	$ 256
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	$ 42	$ 0	$ 0	$ (104)	$ (112)	$ (275)	$ 0
Gains (losses) recognized on derivatives	(15)	0	0	(38)	4	(273)	(42)
Gains (losses) recognized on hedged items[1]	(6)	0	0	38	(4)	313	42
Excluded component of fair value hedges[2]	0	0	0	0	0	(1)	0
Net income (expense) recognized on fair value hedges	$ 21	$ 0	$ 0	$ (104)	$ (112)	$ (236)	$ 0
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains (losses) reclassified from AOCI into net income	$ 0	$ (320)	$ 0	$ 0	$ 0	$ 0	$ 0
Foreign exchange contracts:							
Realized gains (losses) reclassified from AOCI into net income[4]	0	0	3	0	0	0	1
Net income (expense) recognized on cash flow hedges	$ 0	$ (320)	$ 3	$ 0	$ 0	$ 0	$ 1

(Dollars in millions)	Nine Months Ended September 30, 2023						
	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	$ 1,881	$ 27,476	$ 1,436	$ (6,744)	$ (696)	$ (1,596)	$ 730
Fair value hedging relationships:							
Interest rate and foreign exchange contracts:							
Interest recognized on derivatives	$ 113	$ 0	$ 0	$ (278)	$ (297)	$ (754)	$ 0
Gains (losses) recognized on derivatives	(35)	0	0	(84)	(10)	(275)	(17)
Gains (losses) recognized on hedged items[1]	(22)	0	0	81	9	388	17
Excluded component of fair value hedges[2]	0	0	0	0	0	(2)	0
Net income (expense) recognized on fair value hedges	$ 56	$ 0	$ 0	$ (281)	$ (298)	$ (643)	$ 0
Cash flow hedging relationships:[3]							
Interest rate contracts:							
Realized gains reclassified from AOCI into net income	$ 0	$ (879)	$ 0	$ 0	$ 0	$ 0	$ 0
Foreign exchange contracts:							
Realized gains (losses) reclassified from AOCI into net income[4]	0	0	9	0	0	0	1
Net income (expense) recognized on cash flow hedges	$ 0	$ (879)	$ 9	$ 0	$ 0	$ 0	$ 1

(1) Includes amortization benefit of $21 million and $62 million for the three and nine months ended September 30, 2024, respectively, and amortization benefit of $20 million and $56 million for the three and nine months ended September 30, 2023, 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 ("OCI"). The initial value of the excluded component is recognized in earnings over the life of the swap under the amortization approach.

(3) See "Note 10—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 loss of $56 million and $1 million for the three and nine months ended September 30, 2024, respectively, and gain of $100 million and $70 million for the three and nine months ended September 30, 2023, respectively, on foreign exchange contracts reclassified from AOCI. These amounts were largely offset by the foreign currency transaction gains (losses) on our foreign currency denominated intercompany funding included in other non-interest income on our consolidated statements of income.

In the next 12 months, we expect to reclassify into earnings an after-tax loss of $526 million recorded in AOCI as of September 30, 2024 associated with cash flow hedges of forecasted transactions. This amount will largely offset the cash flows associated with the forecasted transactions hedged by these derivatives. The maximum length of time over which forecasted transactions were hedged was approximately 9.5 years as of September 30, 2024. The amount we expect to reclassify into earnings may change as a result of changes in market conditions and ongoing actions taken as part of our overall risk management strategy.

Free-Standing Derivatives

The net impacts to our consolidated statements of income related to free-standing derivatives are presented below for the three and nine months ended September 30, 2024 and 2023. These gains or losses are recognized in other non-interest income on our consolidated statements of income.

Table 9.5: Gains (Losses) on Free-Standing Derivatives

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	**2024**	**2023**	**2024**	**2023**
Gains (losses) recognized in other non-interest income:				
Customer accommodation:				
Interest rate contracts	**$ 3**	$ 7	**$ 20**	$ 26
Commodity contracts	**5**	11	**13**	28
Foreign exchange and other contracts	**3**	5	**15**	13
Total customer accommodation	**11**	23	**48**	67
Other interest rate exposures	**48**	81	**206**	199
Other contracts	**(31)**	(7)	**(51)**	(24)
Total	**$ 28**	$ 97	**$ 203**	$ 242

NOTE 10—STOCKHOLDERS' EQUITY

Preferred Stock

The following table summarizes our preferred stock outstanding as of September 30, 2024 and December 31, 2023.

Table 10.1: 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 September 30, 2024	Carrying Value (in millions) September 30, 2024	Carrying Value (in millions) December 31, 2023
Series I	5.000% Non-Cumulative	September 11, 2019	December 1, 2024	5.000%	Quarterly	$ 1,000	1,500,000	**$ 1,462**	$ 1,462
Series J	4.800% Non-Cumulative	January 31, 2020	June 1, 2025	4.800	Quarterly	1,000	1,250,000	**1,209**	1,209
Series K	4.625% Non-Cumulative	September 17, 2020	December 1, 2025	4.625	Quarterly	1,000	125,000	**122**	122
Series L	4.375% Non-Cumulative	May 4, 2021	September 1, 2026	4.375	Quarterly	1,000	675,000	**652**	652
Series M	3.950% Fixed Rate Reset Non-Cumulative	June 10, 2021	September 1, 2026	3.950% through 8/31/2026; resets 9/1/2026 and every subsequent 5 year anniversary at 5-Year Treasury Rate +3.157%	Quarterly	1,000	1,000,000	**988**	988
Series N	4.250% Non-Cumulative	July 29, 2021	September 1, 2026	4.250%	Quarterly	1,000	425,000	**412**	412
Total								**$ 4,845**	$ 4,845

(1) Except for Series M, ownership is held in the form of depositary shares, each representing a 1/40th interest in a share of fixed-rate non-cumulative perpetual preferred stock.

Accumulated Other Comprehensive Income

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

The following table presents the changes in AOCI by component for the three and nine months ended September 30, 2024 and 2023.

Table 10.2: AOCI

	Three Months Ended September 30, 2024				
(Dollars in millions)	Securities Available for Sale	Hedging Relationships[(1)]	Foreign Currency Translation Adjustments[(2)]	Other	Total
AOCI as of June 30, 2024	$ (7,797)	$ (1,885)	$ 12	$ (31)	$ (9,701)
Other comprehensive income before reclassifications	**2,274**	**791**	**45**	**0**	**3,110**
Amounts reclassified from AOCI into earnings	**26**	**278**	**0**	**0**	**304**
Other comprehensive income, net of tax	**2,300**	**1,069**	**45**	**0**	**3,414**
AOCI as of September 30, 2024	**$ (5,497)**	**$ (816)**	**$ 57**	**$ (31)**	**$ (6,287)**

(Dollars in millions)	Nine Months Ended September 30, 2024 Securities Available for Sale	Hedging Relationships[1]	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of December 31, 2023	$ (6,769)	$ (1,493)	$ 26	$ (32)	$ (8,268)
Other comprehensive income (loss) before reclassifications	**1,246**	**(21)**	**31**	**1**	**1,257**
Amounts reclassified from AOCI into earnings	**26**	**698**	**0**	**0**	**724**
Other comprehensive income, net of tax	**1,272**	**677**	**31**	**1**	**1,981**
AOCI as of September 30, 2024	**$ (5,497)**	**$ (816)**	**$ 57**	**$ (31)**	**$ (6,287)**

(Dollars in millions)	Three Months Ended September 30, 2023 Securities Available for Sale	Hedging Relationships[1]	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of June 30, 2023	$ (7,602)	$ (2,205)	$ 27	$ (38)	$ (9,818)
Other comprehensive income (loss) before reclassifications	(2,108)	(424)	(39)	0	(2,571)
Amounts reclassified from AOCI into earnings	0	165	0	0	165
Other comprehensive income (loss), net of tax	(2,108)	(259)	(39)	0	(2,406)
AOCI as of September 30, 2023	$ (9,710)	$ (2,464)	$ (12)	$ (38)	$ (12,224)

(Dollars in millions)	Nine Months Ended September 30, 2023 Securities Available for Sale	Hedging Relationships[1]	Foreign Currency Translation Adjustments[2]	Other	Total
AOCI as of December 31, 2022	$ (7,676)	$ (2,182)	$ (20)	$ (38)	$ (9,916)
Other comprehensive income (loss) before reclassifications	(2,034)	(890)	8	0	(2,916)
Amounts reclassified from AOCI into earnings	0	608	0	0	608
Other comprehensive income (loss), net of tax	(2,034)	(282)	8	0	(2,308)
AOCI as of September 30, 2023	$ (9,710)	$ (2,464)	$ (12)	$ (38)	$ (12,224)

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[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 losses of $134 million and $72 million for the three and nine months ended September 30, 2024, respectively, and other comprehensive gains of $115 million and losses of $1 million for the three and nine months ended September 30, 2023, respectively, from hedging instruments designated as net investment hedges.

The following table presents amounts reclassified from each component of AOCI to our consolidated statements of income for the three and nine months ended September 30, 2024 and 2023.

Table 10.3: Reclassifications from AOCI

(Dollars in millions)		Three Months Ended September 30,		Nine Months Ended September 30,	
AOCI Components	**Affected Income Statement Line Item**	**2024**	**2023**	**2024**	**2023**
Securities available for sale:					
	Non-interest income (expense)	**$ (34)**	$ 0	**$ (34)**	$ 0
	Income tax provision (benefit)	**(8)**	0	**(8)**	0
	Net income (loss)	**(26)**	0	**(26)**	0
Hedging relationships:					
Interest rate contracts:	Interest income (expense)	**(314)**	(320)	**(936)**	(879)
Foreign exchange contracts:	Interest income	**2**	3	**7**	9
	Interest income (expense)	**0**	(1)	**7**	(2)
	Non-interest income (expense)	**(56)**	100	**(1)**	70
	Income (loss) from continuing operations before income taxes	**(368)**	(218)	**(923)**	(802)
	Income tax provision (benefit)	**(90)**	(53)	**(225)**	(194)
	Net income (loss)	**(278)**	(165)	**(698)**	(608)
Other:					
	Non-interest income and non-interest expense	**0**	0	**0**	0
	Income tax provision (benefit)	**0**	0	**0**	0
	Net income (loss)	**0**	0	**0**	0
Total reclassifications		**$ (304)**	$ (165)	**$ (724)**	$ (608)

The table below summarizes other comprehensive income (loss) activity and the related tax impact for the three and nine months ended September 30, 2024 and 2023.

Table 10.4: Other Comprehensive Income (Loss)

	Three Months Ended September 30,					
	2024			2023		
(Dollars in millions)	Before Tax	Provision (Benefit)	After Tax	Before Tax	Provision (Benefit)	After Tax
Other comprehensive income (loss):						
Net unrealized gains (losses) on securities available for sale	**$ 3,033**	**$ 733**	**$ 2,300**	$ (2,780)	$ (672)	$ (2,108)
Net unrealized gains (losses) on hedging relationships	**1,412**	**343**	**1,069**	(342)	(83)	(259)
Foreign currency translation adjustments[1]	**2**	**(43)**	**45**	(2)	37	(39)
Other comprehensive income (loss)	**$ 4,447**	**$ 1,033**	**$ 3,414**	$ (3,124)	$ (718)	$ (2,406)

	Nine Months Ended September 30,					
	2024			2023		
(Dollars in millions)	Before Tax	Provision (Benefit)	After Tax	Before Tax	Provision (Benefit)	After Tax
Other comprehensive income (loss):						
Net unrealized gains (losses) on securities available for sale	**$ 1,674**	**$ 402**	**$ 1,272**	$ (2,684)	$ (650)	$ (2,034)
Net unrealized gains (losses) on hedging relationships	**894**	**217**	**677**	(372)	(90)	(282)
Foreign currency translation adjustments[1]	**8**	**(23)**	**31**	8	0	8
Other	**1**	**0**	**1**	0	0	0
Other comprehensive income (loss)	**$ 2,577**	**$ 596**	**$ 1,981**	$ (3,048)	$ (740)	$ (2,308)

[1] Includes the impact of hedging instruments designated as net investment hedges.

NOTE 11—EARNINGS PER COMMON SHARE

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

Table 11.1: Computation of Basic and Diluted Earnings per Common Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars and shares in millions, except per share data)	**2024**	2023	**2024**	2023
Net income	**$ 1,777**	$ 1,790	**$ 3,654**	$ 4,181
Dividends and undistributed earnings allocated to participating securities	**(28)**	(28)	**(60)**	(67)
Preferred stock dividends	**(57)**	(57)	**(171)**	(171)
Net income available to common stockholders	**$ 1,692**	$ 1,705	**$ 3,423**	$ 3,943
Total weighted-average basic common shares outstanding	**383.0**	382.5	**382.8**	382.7
Effect of dilutive securities:[1]				
Stock options	**0.1**	0.1	**0.2**	0.1
Other contingently issuable shares	**0.6**	0.7	**0.7**	0.8
Total effect of dilutive securities	**0.7**	0.8	**0.9**	0.9
Total weighted-average diluted common shares outstanding	**383.7**	383.3	**383.7**	383.6
Basic earnings per common share:				
Net income per basic common share	**$ 4.42**	$ 4.46	**$ 8.94**	$ 10.31
Diluted earnings per common share:[1]				
Net income per diluted common share	**$ 4.41**	$ 4.45	**$ 8.92**	$ 10.28

(1) Excluded from the computation of diluted earnings per share were awards of 43 thousand shares and 13 thousand shares for the nine months ended September 30, 2024 and 2023, respectively, because their inclusion would be anti-dilutive. There were no awards excluded from the computation of dilutive earning per share for the three months ended September 30, 2024 and 2023.

NOTE 12—FAIR VALUE MEASUREMENT

Fair value, also referred to as an exit price, is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value accounting guidance provides a three-level fair value hierarchy for classifying financial instruments. This hierarchy is based on the markets in which the assets or liabilities trade and whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. The fair value measurement of a financial asset or liability is assigned a level based on the lowest level of any input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are described below:

Level 1:	Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Valuation is based on observable market-based inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3:	Valuation is generated from techniques that use significant assumptions not observable in the market. Valuation techniques include pricing models, discounted cash flow (“DCF”) methodologies or similar techniques.

The accounting guidance for fair value measurements requires that we maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. 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. Based upon the specific facts and circumstances of each instrument or instrument category, judgments are made regarding the significance of the observable or unobservable inputs to the instruments’ fair value measurement in its entirety. If unobservable inputs are considered significant, the instrument is classified as Level 3. The process for determining fair value using unobservable inputs is generally more subjective and involves a high degree of management judgment and assumptions. 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. For additional information on the valuation techniques used in estimating the fair value of our financial assets and liabilities on a recurring basis, see “Part II—Item 8. Financial Statements and Supplementary Data—Note 16—Fair Value Measurement” in our 2023 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 September 30, 2024 and December 31, 2023.

Table 12.1: Assets and Liabilities Measured at Fair Value on a Recurring Basis

	September 30, 2024				
	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	**$ 6,032**	**$ 0**	**$ 0**	**$ 0**	**$ 6,032**
RMBS	**0**	**66,127**	**180**	**0**	**66,307**
CMBS	**0**	**8,181**	**2**	**0**	**8,183**
Other securities	**131**	**2,847**	**0**	**0**	**2,978**
Total securities available for sale	**6,163**	**77,155**	**182**	**0**	**83,500**
Loans held for sale	**0**	**77**	**0**	**0**	**77**
Other assets:					
Derivative assets[2]	**866**	**929**	**613**	**(725)**	**1,683**
Other[3]	**675**	**0**	**34**	**0**	**709**
Total assets	**$ 7,704**	**$ 78,161**	**$ 829**	**$ (725)**	**$ 85,969**
Liabilities:					
Other liabilities:					
Derivative liabilities[2]	**$ 574**	**$ 1,515**	**$ 568**	**$ (622)**	**$ 2,035**
Total liabilities	**$ 574**	**$ 1,515**	**$ 568**	**$ (622)**	**$ 2,035**

	December 31, 2023				
	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	$ 5,282	$ 0	$ 0	$ 0	$ 5,282
RMBS	0	63,492	146	0	63,638
CMBS	0	8,191	132	0	8,323
Other securities	126	1,748	0	0	1,874
Total securities available for sale	5,408	73,431	278	0	79,117
Loans held for sale	0	347	0	0	347
Other assets:					
Derivative assets[2]	788	1,001	886	(1,005)	1,670
Other[3]	589	3	35	0	627
Total assets	$ 6,785	$ 74,782	$ 1,199	$ (1,005)	$ 81,761
Liabilities:					
Other liabilities:					
Derivative liabilities[2]	$ 449	$ 1,655	$ 828	$ (597)	$ 2,335
Total liabilities	$ 449	$ 1,655	$ 828	$ (597)	$ 2,335

[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 9—Derivative Instruments and Hedging Activities” for additional information.

[2] Does not reflect approximately $3 million and $2 million recognized as a net valuation allowance on derivative assets and liabilities for non-performance risk as of September 30, 2024 and December 31, 2023, respectively. Non-performance risk is included in the measurement of derivative assets and liabilities on our consolidated balance sheets, and is recorded through non-interest income in the consolidated statements of income.

(3) As of September 30, 2024 and December 31, 2023, other includes retained interests in securitizations o f $34 million and $35 million, deferred compensation plan assets of $670 million and $578 million and equity securities of $5 million (including unrealized gains of $5 million) and $14 million (including unrealized gains of $5 million), respectively.

Level 3 Recurring Fair Value Rollforward

The table below presents a reconciliation for all assets and liabilities measured and recognized at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended September 30, 2024 and 2023. 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 12.2: Level 3 Recurring Fair Value Rollforward

(Dollars in millions)	Balance, July 1, 2024	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, September 30, 2024	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2024[1]
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three Months Ended September 30, 2024										
Securities available for sale:[2]											
RMBS	$ 304	$ 2	$ 11	$ 0	$ 0	$ 0	$ (4)	$ 2	$ (135)	$ 180	$ 2
CMBS	2	0	0	0	0	0	0	0	0	2	0
Total securities available for sale	306	2	11	0	0	0	(4)	2	(135)	182	2
Other assets:											
Retained interests in securitizations	34	0	0	0	0	0	0	0	0	34	0
Net derivative assets (liabilities)[3]	69	(20)	0	0	0	4	(8)	0	0	45	(15)

(Dollars in millions)	Balance, January 1, 2024	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, September 30, 2024	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2024[1]
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Nine Months Ended September 30, 2024										
Securities available for sale:[2]											
RMBS	$ 146	$ 6	$ 8	$ 0	$ 0	$ 0	$ (9)	$ 187	$ (158)	$ 180	$ 5
CMBS	132	0	(3)	0	0	0	(3)	0	(124)	2	0
Total securities available for sale	278	6	5	0	0	0	(12)	187	(282)	182	5
Other assets:											
Retained interests in securitizations	35	(1)	0	0	0	0	0	0	0	34	(1)
Net derivative assets (liabilities)[3]	58	(17)	0	0	0	1	3	0	0	45	(18)

(Dollars in millions)	Balance, July 1, 2023	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, September 30, 2023	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2023[1]
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Three Months Ended September 30, 2023										
Securities available for sale:[2]											
RMBS	$ 206	$ 2	$ (5)	$ 0	$ 0	$ 0	$ (6)	$ 2	$ (50)	$ 149	$ 2
CMBS	133	0	(6)	0	0	0	(1)	0	0	126	0
Total securities available for sale	339	2	(11)	0	0	0	(7)	2	(50)	275	2
Other assets:											
Retained interests in securitizations	36	(1)	0	0	0	0	0	0	0	35	(1)
Net derivative assets (liabilities)[3]	64	(2)	0	0	0	3	18	(15)	0	68	4

(Dollars in millions)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Nine Months Ended September 30, 2023										
		Total Gains (Losses) (Realized/Unrealized)									
	Balance, January 1, 2023	Included in Net Income[1]	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfers Into Level 3	Transfers Out of Level 3	Balance, September 30, 2023	Net Unrealized Gains (Losses) Included in Net Income Related to Assets and Liabilities Still Held as of September 30, 2023[1]
Securities available for sale:[2]											
RMBS	$ 236	$ 6	$ (4)	$ 0	$ 0	$ 0	$ (17)	$ 47	$ (119)	$ 149	$ 5
CMBS	142	0	(12)	0	0	0	(4)	0	0	126	0
Total securities available for sale	378	6	(16)	0	0	0	(21)	47	(119)	275	5
Other assets:											
Retained interests in securitizations	36	(1)	0	0	0	0	0	0	0	35	(1)
Net derivative assets (liabilities)[3][4]	5	(20)	0	0	0	176	75	(167)	(1)	68	71

(1) Realized gains (losses) on securities available for sale are included in net securities gains (losses) and retained interests in securitizations are reported as a component of non-interest income in our consolidated statements of income. Gains (losses) on derivatives are included as a component of net interest income or non-interest income in our consolidated statements of income.

(2) For both the three and nine months ended September 30, 2024, included in OCI related to Level 3 securities available for sale still held as of September 30, 2024 were net unrealized losses of $2 million. For the three and nine months ended September 30, 2023, included in OCI related to Level 3 securities available for sale still held as of September 30, 2023 were net unrealized losses of $9 million and $14 million, respectively.

(3) Includes derivative assets and liabilities of $613 million and $568 million, respectively, as of September 30, 2024 and $1.3 billion and $1.3 billion, respectively, as of September 30, 2023.

(4) Transfers into Level 3 primarily consist of term Secured Overnight Financing Rate ("SOFR")-indexed interest rate derivatives.

Significant Level 3 Fair Value Asset and Liability Inputs

Generally, uncertainties in fair value measurements of financial instruments, such as changes in unobservable inputs, may have a significant impact on fair value. Certain of these unobservable inputs will, in isolation, have a directionally consistent impact on the fair value of the instrument for a given change in that input. Alternatively, the fair value of the instrument may move in an opposite direction for a given change in another input. In general, an increase in the discount rate, default rates, loss severity or credit spreads, in isolation, would result in a decrease in the fair value measurement. In addition, an increase in default rates would generally be accompanied by a decrease in recovery rates, slower prepayment rates and an increase in liquidity spreads, and would lead to a decrease in the fair value measurement.

Techniques and Inputs for Level 3 Fair Value Measurements

The following table presents the significant unobservable inputs used to determine the fair values of our Level 3 financial instruments on a recurring basis. We utilize multiple vendor pricing services to obtain fair value for our securities. Several of our vendor pricing services are only able to provide unobservable input information for a limited number of securities due to software licensing restrictions. Other vendor pricing services are able to provide unobservable input information for all securities for which they provide a valuation. As a result, the unobservable input information for the securities available for sale presented below represents a composite summary of all information we are able to obtain. The unobservable input information for all other Level 3 financial instruments is based on the assumptions used in our internal valuation models.

Table 12.3: Quantitative Information about Level 3 Fair Value Measurements

	Quantitative Information about Level 3 Fair Value Measurements				
(Dollars in millions)	**Fair Value at September 30, 2024**	**Significant Valuation Techniques**	**Significant Unobservable Inputs**	**Range**	**Weighted Average[(1)]**
Securities available for sale:					
RMBS	**$ 180**	Discounted cash flows (vendor pricing)	Yield Voluntary prepayment rate Default rate Loss severity	**4-14%** **0-12%** **0-6%** **25-80%**	**6%** **7%** **1%** **61%**
CMBS	**2**	Discounted cash flows (vendor pricing)	Yield	**5-7%**	**7%**
Other assets:					
Retained interests in securitizations[(2)]	**34**	Discounted cash flows	Life of receivables (months) Voluntary prepayment rate Discount rate Default rate Loss severity	**31-73** **7-9%** **5-14%** **1-2%** **46-155%**	**N/A**
Net derivative assets (liabilities)	**45**	Discounted cash flows	Swap rates	**3-5%**	**3%**

	Quantitative Information about Level 3 Fair Value Measurements				
(Dollars in millions)	**Fair Value at December 31, 2023**	**Significant Valuation Techniques**	**Significant Unobservable Inputs**	**Range**	**Weighted Average[(1)]**
Securities available for sale:					
RMBS	$ 146	Discounted cash flows (vendor pricing)	Yield Voluntary prepayment rate Default rate Loss severity	2-19% 0-12% 0-10% 30-80%	7% 7% 1% 61%
CMBS	132	Discounted cash flows (vendor pricing)	Yield	5-7%	5%
Other assets:					
Retained interests in securitizations[(2)]	35	Discounted cash flows	Life of receivables (months) Voluntary prepayment rate Discount rate Default rate Loss severity	33-69 9% 5-14% 2% 53-163%	N/A
Net derivative assets (liabilities)	58	Discounted cash flows	Swap rates	3-5%	4%

(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 September 30, 2024 and December 31, 2023and for which a nonrecurring fair value measurement was recorded during the nine and twelve months then ended.

Table 12.4: Nonrecurring Fair Value Measurements

	September 30, 2024		
	Estimated Fair Value Hierarchy		
(Dollars in millions)	Level 2	Level 3	Total
Loans held for investment	**$ 0**	**$ 738**	**$ 738**
Loans held for sale	**10**	**0**	**10**
Other assets[(1)]	**0**	**100**	**100**
Total	**$ 10**	**$ 838**	**$ 848**

	December 31, 2023		
	Estimated Fair Value Hierarchy		
(Dollars in millions)	Level 2	Level 3	Total
Loans held for investment	$ 0	$ 545	$ 545
Loans held for sale	37	0	37
Other assets[(1)]	0	214	214
Total	$ 37	$ 759	$ 796

(1) As of September 30, 2024, other assets includes investments accounted for under measurement alternative of $47 million, cost method investments of $1 million and repossessed assets of $52 million. As of December 31, 2023, other assets included investments accounted for under measurement alternative of $46 million, repossessed assets of $45 million and long-lived assets held for sale and right-of-use assets totaling $123 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 7% to 61%, with a weighted average of 19%, and from 0% to 100%, with a weighted average of 18%, as of September 30, 2024 and December 31, 2023, 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 September 30, 2024 and 2023.

Table 12.5: Nonrecurring Fair Value Measurements Included in Earnings

	Total Gains (Losses)	
	Nine Months Ended September 30,	
(Dollars in millions)	2024	2023
Loans held for investment	**$ (224)**	$ (315)
Loans held for sale	**(6)**	0
Other assets[(1)]	**(64)**	(52)
Total	**$ (294)**	$ (367)

(1) Other assets primarily include fair value adjustments related to repossessed assets 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 September 30, 2024 and December 31, 2023.

Table 12.6: Fair Value of Financial Instruments

	September 30, 2024				
			Estimated Fair Value Hierarchy		
(Dollars in millions)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	**$ 49,298**	**$ 49,298**	**$ 3,976**	**$ 45,322**	**$ 0**
Restricted cash for securitization investors	**421**	**421**	**421**	**0**	**0**
Net loans held for investment	**303,709**	**308,901**	**0**	**0**	**308,901**
Loans held for sale	**19**	**19**	**0**	**19**	**0**
Interest receivable	**2,577**	**2,577**	**0**	**2,577**	**0**
Other investments(1)	**1,330**	**1,330**	**0**	**1,330**	**0**
Financial liabilities:					
Deposits with defined maturities	**77,678**	**77,893**	**0**	**77,893**	**0**
Securitized debt obligations	**15,881**	**15,939**	**0**	**15,939**	**0**
Senior and subordinated notes	**32,911**	**33,694**	**0**	**33,694**	**0**
Federal funds purchased and securities loaned or sold under agreements to repurchase	**520**	**520**	**0**	**520**	**0**
Interest payable	**705**	**705**	**0**	**705**	**0**

	December 31, 2023				
			Estimated Fair Value Hierarchy		
(Dollars in millions)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 43,297	$ 43,297	$ 4,903	$ 38,394	$ 0
Restricted cash for securitization investors	458	458	458	0	0
Net loans held for investment	305,176	308,044	0	0	308,044
Loans held for sale	507	515	0	515	0
Interest receivable	2,478	2,478	0	2,478	0
Other investments(1)	1,329	1,329	0	1,329	0
Financial liabilities:					
Deposits with defined maturities	83,014	82,990	0	82,990	0
Securitized debt obligations	18,043	18,067	0	18,067	0
Senior and subordinated notes	31,248	31,524	0	31,524	0
Federal funds purchased and securities loaned or sold under agreements to repurchase	538	538	0	538	0
Interest payable	649	649	0	649	0

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

NOTE 13—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 business segment are included in the Other category, such as the management of our corporate investment portfolio and asset/liability positions performed by our centralized Corporate Treasury group and any residual tax expense or benefit beyond what is assessed to our business segments in order to arrive at the consolidated effective tax rate. The Other category also includes unallocated corporate 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 and integration expenses related to the agreement to acquire Discover.

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 revenues and expenses directly or indirectly attributable to each business segment. Our funds transfer pricing process managed by our centralized Corporate Treasury group 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 is unique to each business segment and acquired business and is based on the composition of assets and liabilities. The funds transfer pricing process considers the interest rate and liquidity risk characteristics of assets and liabilities and off-balance sheet products. Periodically the methodology and assumptions utilized in the funds transfer pricing process are adjusted to reflect economic conditions and other factors, which may impact the allocation of net interest income to the business segments. 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 market 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 “Part II—Item 8. Financial Statements and Supplementary Data—Note 17—Business Segments and Revenue from Contracts with Customers” in our 2023 Form 10-K.

Segment Results and Reconciliation

We may periodically change our business segments or reclassify business segment results based on modifications to our management reporting methodologies or changes in organizational alignment. The following table presents our business segment results for the three and nine months ended September 30, 2024 and 2023, selected balance sheet data as of September 30, 2024 and 2023, and a reconciliation of our total business segment results to our reported consolidated income from continuing operations, loans held for investment and deposits.

Table 13.1: Segment Results and Reconciliation

	Three Months Ended September 30, 2024				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Net interest income (loss)	**$ 5,743**	**$ 2,028**	**$ 596**	**$ (291)**	**$ 8,076**
Non-interest income (loss)	**1,509**	**182**	**292**	**(45)**	**1,938**
Total net revenue (loss)[2]	**7,252**	**2,210**	**888**	**(336)**	**10,014**
Provision (benefit) for credit losses	**2,084**	**351**	**48**	**(1)**	**2,482**
Non-interest expense	**3,367**	**1,331**	**495**	**121**	**5,314**
Income (loss) from continuing operations before income taxes	**1,801**	**528**	**345**	**(456)**	**2,218**
Income tax provision (benefit)	**427**	**125**	**82**	**(193)**	**441**
Income (loss) from continuing operations, net of tax	**$ 1,374**	**$ 403**	**$ 263**	**$ (263)**	**$ 1,777**
Loans held for investment	**$ 156,651**	**$ 76,758**	**$ 86,834**	**$ 0**	**$ 320,243**
Deposits	**0**	**309,569**	**30,598**	**13,464**	**353,631**

	Nine Months Ended September 30, 2024				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Net interest income (loss)	**$ 16,309**	**$ 6,064**	**$ 1,804**	**$ (1,067)**	**$ 23,110**
Non-interest income (loss)	**4,491**	**513**	**844**	**(36)**	**5,812**
Total net revenue (loss)[2]	**20,800**	**6,577**	**2,648**	**(1,103)**	**28,922**
Provision (benefit) for credit losses	**7,888**	**1,107**	**80**	**(1)**	**9,074**
Non-interest expense	**9,730**	**3,827**	**1,493**	**347**	**15,397**
Income (loss) from continuing operations before income taxes	**3,182**	**1,643**	**1,075**	**(1,449)**	**4,451**
Income tax provision (benefit)	**756**	**388**	**254**	**(601)**	**797**
Income (loss) from continuing operations, net of tax	**$ 2,426**	**$ 1,255**	**$ 821**	**$ (848)**	**$ 3,654**
Loans held for investment	**$ 156,651**	**$ 76,758**	**$ 86,834**	**$ 0**	**$ 320,243**
Deposits	**0**	**309,569**	**30,598**	**13,464**	**353,631**

	Three Months Ended September 30, 2023				
(Dollars in millions)	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Net interest income (loss)	$ 5,114	$ 2,133	$ 621	$ (445)	$ 7,423
Non-interest income	1,513	142	288	0	1,943
Total net revenue (loss)[2]	6,627	2,275	909	(445)	9,366
Provision for credit losses	1,953	213	116	2	2,284
Non-interest expense	3,015	1,262	512	71	4,860
Income (loss) from continuing operations before income taxes	1,659	800	281	(518)	2,222
Income tax provision (benefit)	393	189	67	(217)	432
Income (loss) from continuing operations, net of tax	$ 1,266	$ 611	$ 214	$ (301)	$ 1,790
Loans held for investment	$ 146,783	$ 76,844	$ 91,153	$ 0	$ 314,780
Deposits	0	290,789	36,035	19,187	346,011

(Dollars in millions)	Nine Months Ended September 30, 2023				
	Credit Card	Consumer Banking	Commercial Banking[(1)]	Other[(1)]	Consolidated Total
Net interest income (loss)	$ 14,498	$ 6,762	$ 1,901	$ (1,439)	$ 21,722
Non-interest income	4,375	426	757	1	5,559
Total net revenue (loss)[(2)]	18,873	7,188	2,658	(1,438)	27,281
Provision for credit losses	6,298	747	521	3	7,569
Non-interest expense	9,073	3,776	1,524	226	14,599
Income (loss) from continuing operations before income taxes	3,502	2,665	613	(1,667)	5,113
Income tax provision (benefit)	830	629	145	(672)	932
Income (loss) from continuing operations, net of tax	$ 2,672	$ 2,036	$ 468	$ (995)	$ 4,181
Loans held for investment	$ 146,783	$ 76,844	$ 91,153	$ 0	$ 314,780
Deposits	0	290,789	36,035	19,187	346,011

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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) Total net revenue was reduced by $624 million and $1.9 billion in the three and nine months ended September 30, 2024, respectively, and $449 million and $1.3 billion in the three and nine months ended September 30, 2023, respectively, for credit card finance charges and fees charged off as uncollectible.

Revenue from Contracts with Customers

The majority of our revenue from contracts with customers consists of interchange fees, service charges and other customer-related fees, and other contract revenue. Interchange fees are primarily from our Credit Card business and are recognized upon settlement with the interchange networks, net of rewards earned by customers. Service charges and other customer-related fees within our Consumer Banking business are primarily related to fees earned on consumer deposit accounts for account maintenance and various transaction-based services such as automated teller machine ("ATM") usage. Service charges and other customer-related fees within our Commercial Banking business are mostly related to fees earned on treasury management and capital markets services. Other contract revenue in our Credit Card business consists primarily of revenue from our partnership arrangements. Other contract revenue in our Consumer Banking business consists primarily of revenue earned from services provided to auto industry participants. Revenue from contracts with customers is included in non-interest income in our consolidated statements of income.

The following table presents revenue from contracts with customers and a reconciliation to non-interest income by business segment for the three and nine months ended September 30, 2024 and 2023.

Table 13.2: Revenue from Contracts with Customers and Reconciliation to Segment Results

(Dollars in millions)	Three Months Ended September 30, 2024				
	Credit Card	Consumer Banking	Commercial Banking[(1)]	Other[(1)]	Consolidated Total
Contract revenue:					
Interchange fees, net[(2)]	**$ 1,086**	**$ 113**	**$ 28**	**$ 1**	**$ 1,228**
Service charges and other customer-related fees	**0**	**23**	**92**	**0**	**115**
Other	**67**	**36**	**1**	**0**	**104**
Total contract revenue	**1,153**	**172**	**121**	**1**	**1,447**
Revenue (reduction) from other sources	**356**	**10**	**171**	**(46)**	**491**
Total non-interest income (loss)	**$ 1,509**	**$ 182**	**$ 292**	**$ (45)**	**$ 1,938**

(Dollars in millions)	Nine Months Ended September 30, 2024				
	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Contract revenue:					
Interchange fees, net[2]	**$ 3,222**	**$ 318**	**$ 81**	**$ 1**	**$ 3,622**
Service charges and other customer-related fees	**0**	**66**	**239**	**0**	**305**
Other	**271**	**101**	**6**	**0**	**378**
Total contract revenue	**3,493**	**485**	**326**	**1**	**4,305**
Revenue (reduction) from other sources	**998**	**28**	**518**	**(37)**	**1,507**
Total non-interest income (loss)	**$ 4,491**	**$ 513**	**$ 844**	**$ (36)**	**$ 5,812**

(Dollars in millions)	Three Months Ended September 30, 2023				
	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Contract revenue:					
Interchange fees, net[2]	$ 1,115	$ 92	$ 27	$ 0	$ 1,234
Service charges and other customer-related fees	0	21	78	0	99
Other	111	28	3	0	142
Total contract revenue	1,226	141	108	0	1,475
Revenue from other sources	287	1	180	0	468
Total non-interest income	$ 1,513	$ 142	$ 288	$ 0	$ 1,943

(Dollars in millions)	Nine Months Ended September 30, 2023				
	Credit Card	Consumer Banking	Commercial Banking[1]	Other[1]	Consolidated Total
Contract revenue:					
Interchange fees, net[2]	$ 3,251	$ 270	$ 64	$ 1	$ 3,586
Service charges and other customer-related fees	0	64	173	(1)	236
Other	257	74	16	0	347
Total contract revenue	3,508	408	253	0	4,169
Revenue from other sources	867	18	504	1	1,390
Total non-interest income	$ 4,375	$ 426	$ 757	$ 1	$ 5,559

[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 14—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 and certain other unconditionally cancellable lines of credit, 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 September 30, 2024 and December 31, 2023. The carrying value represents our reserve and deferred revenue on legally binding commitments.

Table 14.1: Unfunded Lending Commitments

	Contractual Amount		Carrying Value	
(Dollars in millions)	**September 30, 2024**	**December 31, 2023**	**September 30, 2024**	**December 31, 2023**
Credit card lines	**$ 412,905**	$ 392,867	**N/A**	N/A
Other loan commitments[1]	**44,698**	46,951	**$ 72**	$ 99
Standby letters of credit and commercial letters of credit[2]	**1,266**	1,465	**27**	23
Total unfunded lending commitments	**$ 458,869**	$ 441,283	**$ 99**	$ 122

(1) Includes $5.0 billion and $4.7 billion of advised lines of credit as of September 30, 2024 and December 31, 2023, respectively.

(2) These financial guarantees have expiration dates that range from 2025 to 2027 as of September 30, 2024.

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 these originated loans. Beginning January 1, 2020, we elected the fair value option on new loss sharing agreements entered into. 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 having to make a payment and record our estimate of expected credit losses each period through the provision for credit losses in our consolidated statements of income. The liability recognized on our consolidated balance sheets for these loss sharing agreements was $145 million and $137 million as of September 30, 2024 and December 31, 2023, respectively. See "Note 5—Allowance for Credit Losses and Reserve for Unfunded Lending Commitments" for 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 September 30, 2024 are approximately $400 million. Our reserve and reasonably possible loss estimates involve considerable judgment and reflect that there is 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 reasonably possible losses disclosed here. Given the inherent uncertainties involved in these matters and the very large or indeterminate damages sought in some of these, 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 Litigation

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. The Visa and MasterCard payment networks and issuing banks entered into 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.

The monetary relief class action settled for $5.5 billion and was approved by the District Court in December 2019. The Second Circuit affirmed the settlement in March 2023, and it is final. Some of the merchants that opted out of the monetary relief class have brought cases, and some of those cases have settled and some remain pending. Visa created a litigation escrow account following its initial public offering of stock in 2008 that funds the portion of these settlements attributable to Visa-allocated transactions. Any settlement amounts based on MasterCard-allocated transactions that have not already been paid are reflected in our reserves. Visa and MasterCard reached a settlement with the injunctive relief class and filed a motion for preliminary approval, which was denied by the District Court in June 2024. The parties will continue to litigate unless a settlement is reached and approved.

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 “2019 Cybersecurity Incident”). As a result of the 2019 Cybersecurity Incident, we have been 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 are named as a defendant in 4 putative consumer class action cases in Canadian courts alleging harm from the 2019 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. In the second quarter of 2022, a trial court in British Columbia preliminarily certified a class of all impacted Canadian consumers except those in Quebec. The preliminary certification decision in British Columbia was appealed, with both sides contesting portions of the ruling. On July 4, 2024, the British Columbia Court of Appeals denied both parties’ appeals. In the third quarter of 2023, a trial court in Quebec preliminarily authorized a class of all impacted consumers in Quebec. This decision also has been appealed. The final two putative class actions, both of which are pending in Alberta, are continuing in parallel, but currently remain at a preliminary stage. A fifth putative class action in Ontario was dismissed with prejudice and all appeals of that decision have now been exhausted.

Governmental inquiries. In August 2020, we entered into consent orders with the Board of Governors of the Federal Reserve System (“Federal Reserve”) and the Office of the Comptroller of the Currency (“OCC”) resulting from regulatory reviews of the 2019 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. The OCC lifted its consent order on August 31, 2022 and the Federal Reserve lifted its consent order on July 5, 2023. On August 12, 2019, Canada’s Office of Privacy Commissioner (“OPC”) also initiated an investigation into the 2019 Cybersecurity Incident. That investigation concluded in April 2024 with no further action required.

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 (“FCA”)), we received customer complaints and regulatory claims relating to PPI. COEP has materially resolved the PPI complaints and regulatory claims received prior to the deadline. Some of the claimants in the U.K. PPI regulatory claims process have subsequently initiated legal proceedings, seeking additional redress. We are responding to these proceedings as we receive them.

Savings Account Litigation and Related Government Investigation

On July 10, 2023, we were sued in a putative class action in the Eastern District of Virginia by savings account holders alleging breach of contract and a variety of other causes of action relating to our introduction of a new savings account product with a higher interest rate than existing savings account products (“Savings Account Litigation”). Since the original suit, we have also been sued in six similar putative class actions in federal courts in California, Illinois, Ohio, Virginia, New Jersey and New York. On March 20, 2024, we filed with the Judicial Panel on Multidistrict Litigation a motion to consolidate and transfer related actions to the Eastern District of Virginia. In June 2024, the Judicial Panel granted the motion and transferred the related actions to the Eastern District of Virginia. Plaintiffs filed a consolidated complaint on July 1, 2024 and the court set a trial date in July 2025. We filed a motion to dismiss the consolidated complaint, which is fully briefed and pending with the court.

In August 2024, we received a Civil Investigative Demand from the Consumer Financial Protection Bureau (“CFPB”) relating to the savings account products at issue in the litigation. In October 2024, the CFPB issued a Notice of Opportunity to Respond and Advise (“NORA”) letter indicating that the CFPB is considering an enforcement action against us on similar grounds as the claims in the Savings Account Litigation. We are responding to the NORA letter and it is possible the CFPB will pursue an enforcement action, including possible litigation, at the end of the NORA process.

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.

Other Contingencies

Deposit Insurance Assessments

On November 16, 2023, the Federal Deposit Insurance Corporation (“FDIC”) finalized a rule to implement a special assessment to recover the loss to the Deposit Insurance Fund (“DIF”) arising from the protection of uninsured depositors in connection with the systemic risk determination announced on March 12, 2023, following the closures of Silicon Valley Bank and Signature Bank. In December 2023, the FDIC provided notification that they would be collecting the special assessment at an annual rate of approximately 13.4 basis points (“bps”) over eight quarterly collection periods, beginning with the first quarter of 2024 with the first payment due on June 28, 2024. In June 2024, the FDIC provided notification that the collection period will be extended an additional two quarters beyond the initial eight quarterly collection periods at a lower annual rate. The special assessment base is equal to an insured depository institution’s estimated uninsured deposits reported on its Consolidated Reports of Condition and Income as of December 31, 2022 (“2022 Call Report”), adjusted to exclude the first $5 billion of uninsured deposits. We recognized $289 million in operating expense in the fourth quarter of 2023 associated with the special assessment based on our 2022 Call Report, which was revised and refiled during 2023. We recognized incremental operating expenses in 2024 as a result of updates from the FDIC related to our portion of the FDIC's estimate of relevant DIF losses. We have recognized $330 million of operating expenses related to the special assessment as of September 30, 2024.

It is reasonably possible amendments will be needed to our 2022 Call Report due to future legal and regulatory developments, which could result in additional expenses associated with the special assessment. The ultimate amount of expenses associated with the special assessment will also be impacted by the finalization of the losses incurred by the FDIC in the resolutions of Silicon Valley Bank and Signature Bank. The amount of reasonably possible additional special assessment fees beyond our existing accrual due to these factors is approximately $200 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For a discussion of the quantitative and qualitative disclosures about market risk, see "Part I—Item 2. 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 SEC rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), 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 CEO and CFO, 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 September 30, 2024, the end of the period covered by this Report. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2024, 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 third quarter of 2024 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 "Part I—Item 1. Financial Statements—Note 14—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 2023 Form 10-K.

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

The following table presents information related to the repurchases of shares of our common stock for each calendar month in the third quarter of 2024. 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[1]	Maximum Amount That May Yet be Purchased Under the Plan or Program[1] *(in millions)*
July	**402,507**	**$ 143.69**	**402,507**	**$ 4,276**
August	**560,748**	**124.28**	**421,674**	**4,217**
September	**237,214**	**141.29**	**237,214**	**4,184**
Total	**1,200,469**	**136.61**	**1,061,395**	

[1] In April 2022, our Board of Directors authorized the repurchase of up to $5.0 billion of shares of our common stock. There were 139,074 shares withheld in August to cover taxes on restricted stock awards whose restrictions lapsed. See "Part I—Item 2. 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

Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements

During the three months ended September 30, 2024, certain of our officers and directors adopted or terminated Rule 10b5-1 trading arrangements as follows:

Mark Daniel Mouadeb, our President, U.S. Card, entered into a pre-arranged stock trading plan on July 25, 2024. Mr. Mouadeb's plan provides for the associated sale of up to 1,993.795 shares of Capital One common stock in amounts and prices set forth in the plan and terminates on the earlier of the date all shares under the plan are sold and December 31, 2024.

Robert M. Alexander, our Chief Information Officer, entered into a pre-arranged stock trading plan on August 8, 2024. Mr. Alexander's plan provides for the associated sale of up to 16,594 shares of Capital One common stock in amounts and prices set forth in the plan and terminates on the earlier of the date all shares under the plan are sold and October 29, 2025.

Michael Zamsky, our Chief Credit and Financial Risk Officer, entered into a pre-arranged stock trading plan on August 13, 2024. Mr. Zamsky's plan provides for the associated sale of up to 20,101 shares of Capital One common stock in amounts and prices set forth in the plan and terminates on the earlier of the date all shares under the plan are sold and May 12, 2025.

Each of the trading plans was entered into during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended, and Capital One's policies regarding transactions in its securities.

Item 6. Exhibits

An index to exhibits has been filed as part of this Report and is incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of February 19, 2024, by and among Discover Financial Services, Capital One Financial Corporation and Vega Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K, filed on February 22, 2024).
3.1	Restated Certificate of Incorporation of Capital One Financial Corporation (as restated July 26, 2023) (incorporated by reference to Exhibit 3.1 of the Quarterly Report on Form 10-Q, filed on July 27, 2023).
3.2	Amended and Restated Bylaws of Capital One Financial Corporation, dated September 23, 2021 (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed on September 29, 2021).
4.1	Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, copies of instruments defining the rights of holders of long-term debt are not filed. The Company agrees to furnish a copy thereof to the SEC upon request.
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 September 30, 2024, 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, as amended, 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, as amended, or the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) 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: October 31, 2024	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 September 30, 2024 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:	October 31, 2024	By:	/s/ RICHARD D. FAIRBANK
			Richard D. Fairbank Chair and Chief Executive Officer

Exhibit 31.2

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

I, Andrew M. Young, certify that,

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 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:	October 31, 2024	By:	/s/ ANDREW M. YOUNG
			Andrew M. Young Chief Financial Officer

Exhibit 32.1

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

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

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (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-K fairly presents, in all material respects, the financial condition and results of operations of Capital One.

Date:	October 31, 2024	By:	/s/ RICHARD D. FAIRBANK
			Richard D. Fairbank Chair and Chief Executive Officer

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

Exhibit 32.2

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

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

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (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-K fairly presents, in all material respects, the financial condition and results of operations of Capital One.

Date:	October 31, 2024	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.