



Net Stable Funding Ratio

For the quarterly periods ended
September 30, 2023 and December 31, 2023

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INTRODUCTION

Overview

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 December 31, 2023, Capital One Financial Corporation’s principal operating subsidiary was Capital One, National Association (the “Bank”). The Company is hereafter collectively referred to as “we,” “us” or “our.”

Regulatory Framework

The Company and the Bank are subject to the Net Stable Funding Ratio Rule (“NSFR Rule”) published by the Basel Committee on Banking Supervision and as implemented by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency (“OCC”) and the Federal Deposit Insurance Corporation (“FDIC”) (collectively, the “Federal Banking Agencies”) in the United States. The NSFR Rule requires covered institutions to maintain an amount of available stable funding (“ASF”), which is a weighted measure of a company’s funding sources over a one-year time horizon, calculated by applying standardized weightings to regulatory capital and liabilities based on their expected stability, that is no less than a specified percentage of its required stable funding (“RSF”), which is calculated by applying standardized weightings to assets, derivatives exposures and certain other items based on their liquidity characteristics:

$$\frac{\text{Available Stable Funding}}{\text{Required Stable Funding}} \geq 100\%$$

The NSFR Rule requires semi-annual public disclosure every second and fourth calendar quarter of quantitative information about a covered institution’s Net Stable Funding Ratio (“NSFR”) calculation and a qualitative discussion of its NSFR for the two preceding calendar quarters. The Company and the Bank are both required to maintain an NSFR of 100% on an ongoing basis. Additionally, the Company is required to disclose the quarterly average of its NSFR on a semi-annual basis. For each of the three months ended September 30, 2023 and December 31, 2023, the Company and the Bank exceeded the NSFR requirement.

As a bank holding company 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 NSFR Rule. As such, the Company and the Bank are required to maintain ASF in an amount at least equal to 85% of its RSF. Although the Bank may maintain more ASF than it needs to meet its NSFR requirements, the NSFR Rule restricts the amount of such excess ASF held at the Bank (referred to as “excess ASF”) that can be included in the Company’s Total ASF amount. We typically manage the Bank’s NSFR to levels well above 100% resulting in additional excess ASF as the Bank’s RSF is reduced by the adjustment percentage of 85%.

For additional information about the liquidity guidelines we are subject to, see “Part I—Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)—Liquidity Risk Profile” in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the “Q3 2023 Form 10-Q”) and “Part I—Item 1. Business—Supervision and Regulation” and “Part II—Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)—Liquidity Risk Profile” in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”).

Basis of Preparation

This report contains our NSFR disclosures for the two preceding calendar quarterly periods ended September 30, 2023 and December 31, 2023, and has been prepared in accordance with the regulatory guidance prescribed by the NSFR Rule. It should

be read in conjunction with our Q3 2023 Form 10-Q, 2023 Form 10-K and Liquidity Coverage Ratio (“LCR”) disclosures for the quarters ended September 30, 2023 and December 31, 2023.

Forward-Looking Statements

Certain statements in this disclosure are forward-looking statements, which involve a number of risks and uncertainties. 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. We caution readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information due to a number of factors, including those listed from time to time in reports that we file with the Securities and Exchange Commission (“SEC”), including, but not limited to the Q3 2023 Form 10-Q and 2023 Form 10-K. 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.

Liquidity Risk Management

Our risk appetite defines the Board of Directors’ tolerance for certain risk outcomes at an enterprise level and enables senior management to manage and report within these boundaries. The Board of Directors approves a Risk Appetite Statement for the enterprise to set forth the high-level principles that govern risk taking at the Company.

Liquidity risk is the risk that we will not be able to meet our 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.

We manage liquidity risk by applying our Liquidity Adequacy Framework (the “Liquidity Framework”). The Liquidity Framework uses internal and regulatory stress testing and the evaluation of other balance sheet metrics to confirm that we maintain a fortified balance sheet that is resilient to uncertainties that may arise as a consequence of systemic, idiosyncratic, or combined liquidity events.

We recognize that liquidity risk is embedded within our day-to-day and strategic decisions. Liquidity is essential for banks to meet customer withdrawals, account for balance sheet changes, and provide funding for growth. We have acquired and built deposit gathering businesses and actively monitor our funding concentration. We manage our liquidity risk, which is driven by both internal and external factors, centrally and establish quantitative risk limits to continually assess our liquidity adequacy.

The Chief Credit and Financial Risk Officer, in conjunction with the Head of Liquidity, Market and Capital Risk Oversight, is responsible for the establishment of liquidity risk management policies and standards for governance and monitoring of liquidity risk at a corporate level. We assess liquidity strength by evaluating several different balance sheet metrics under severe stress scenarios to ensure we can withstand significant funding degradation. Results are reported to the Asset Liability Committee monthly and to the Risk Committee no less than quarterly. We also continuously monitor market and economic conditions to evaluate emerging stress conditions and to develop appropriate action plans in accordance with our Contingency Funding Plan (“CFP”) and our Recovery Plan.

We use internal and regulatory stress testing and the evaluation of other balance sheet metrics within our Liquidity Framework to confirm we maintain a fortified balance sheet. We rely on a combination of stable and diversified funding sources, along with a stockpile of liquidity reserves, to effectively manage our liquidity risk. We maintain a sizable liquidity reserve of cash and cash equivalents, high-quality unencumbered securities and investment securities and certain loans that are either readily-marketable or pledgeable. We also continue to maintain access to secured and unsecured debt markets through regular issuance.

For additional information on our risk framework and structure and organization of the Liquidity Risk Management function, see “Part I—Item 2. MD&A—Risk Management” in our Q3 2023 Form 10-Q and “Part II—Item 7. MD&A—Risk Management” in our 2023 Form 10-K.

Net Stable Funding Ratio

The NSFR Rule measures the amount of ASF relative to the amount of RSF. The ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon of one year. RSF is a function of the liquidity characteristics and residual maturities of various assets and off-balance sheet exposures. The NSFR Rule requires the Company to hold enough stable funding that equals or exceeds 100% of the Company's long-term assets over a one-year time horizon on an ongoing basis.

Table 1 provides a summary of our average weighted daily NSFR for the quarterly periods ended September 30, 2023 and December 31, 2023.

Table 1: Net Stable Funding Ratio

<i>(Dollars in millions)</i>	Three Months Ended September 30, 2023	Three Months Ended December 31, 2023
	Average Weighted⁽¹⁾	Average Weighted⁽¹⁾
Total ASF ⁽²⁾	\$ 354,108	\$ 357,688
Total adjusted RSF amount ⁽³⁾	262,420	264,796
NSFR	135 %	135 %

⁽¹⁾ Represents the average weighted amount after applying regulatory prescribed ASF and RSF factors.

⁽²⁾ Excludes excess ASF maintained at the Bank.

⁽³⁾ Total RSF reduced to 85%.

The Company's average NSFR was driven by:

- ASF, which primarily consists of retail and wholesale funding and regulatory capital elements; and
- RSF, which primarily consists of retail and wholesale lending transactions.

The Company's average NSFR remained flat at 135% from the third quarter of 2023 to the fourth quarter of 2023. Our NSFR may fluctuate period over period as a result of ongoing business activity. We provide additional information on our components of ASF and RSF as discussed in more detail within this report below.

Source of Funds

The Company's primary source of funding comes from insured retail deposits, as they are a relatively stable and lower cost source of funding. The Company also sources deposits from non-retail customers and counterparties, which primarily consist of commercial deposits. Under the NSFR Rule, these non-retail deposits are generally classified as either operational or non-operational. Finally, the Company sources deposits through the mediation or assistance of deposit brokers. These deposits are segmented and assigned outflows according to the type of account, whether deposit insurance is in place and the maturity date of the deposit agreement.

A significant portion of our retail deposits are fully FDIC-insured and are considered to be stable under the NSFR Rule. Under the NSFR Rule, the Company is required to categorize the full amount of any deposit that is above the FDIC limit as uninsured, even though the portion of that deposit that is within the FDIC limit would be insured. Under the NSFR treatment, uninsured deposits will be higher than the level presented in our SEC filings. Our Q3 2023 Form 10-Q and 2023 Form 10-K provide estimates of the uninsured deposit amounts that exclude the portions of deposits that are within the FDIC limit and are based on methodologies and assumptions used for our "Consolidated Reports of Condition and Income" (FFIEC 031) filed with the Federal Banking Agencies. Our uninsured deposit amounts disclosed in our Q3 2023 Form 10-Q and 2023 Form 10-K were \$68.3 billion and \$64.2 billion, respectively, which are less than the uninsured deposit amounts for NSFR purposes as of September 30, 2023 and December 31, 2023 due to the treatment described above. Intercompany balances are excluded for both the NSFR uninsured calculations as well as the uninsured amounts reflected in the Q3 Form 10-Q and 2023 Form 10-K.

In addition to deposits, the Company also raises 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 Federal Home Loan Bank 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.

For additional information on our source of funds and uninsured deposit base, see "Part I—Item 2. MD&A—Consolidated Balance Sheets Analysis—Funding Sources" and "Part I—Item 2. MD&A—Liquidity Risk Profile—Funding" in our Q3 2023 Form 10-Q as well as "Part II—Item 7. MD&A—Consolidated Balance Sheets Analysis—Funding Sources" and "Part II—Item 7. MD&A—Liquidity Risk Profile—Funding" in our 2023 Form 10-K.

Regulatory Capital

The NSFR regulatory capital element is defined as our common equity Tier 1 ("CET1") capital, additional Tier 1 capital, and Tier 2 capital, prior to the application of capital adjustments or deductions.

Our NSFR regulatory capital element consists of common stock plus related surplus, net of treasury stock and unearned Employee Stock Ownership Plan ("ESOP"), retained earnings, accumulated other comprehensive income ("AOCI"), non-cumulative perpetual preferred stock, includable subordinated debt, minority interest and the includable allowance for credit losses.

The level and composition of our capital are determined by multiple factors, including our consolidated regulatory capital requirements and internal risk-based capital assessments such as internal stress testing and economic capital. The level and composition of our capital may also be influenced by rating agency guidelines, subsidiary capital requirements, business environment, conditions in the financial markets and assessments of potential future losses due to adverse changes in our business and market environments.

For additional information on capital management, see "Part I—Item 2. MD&A—Capital Management" in our Q3 2023 Form 10-Q and "Part II—Item 7. MD&A—Capital Management" in our 2023 Form 10-K.

Retail and Wholesale Lending

Our loan portfolio is divided 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 loans as well as commercial and industrial loans.

Under the NSFR Rule, RSF factors are assigned to these loan portfolios based on a combination of tenor, encumbrance, counterparty type, credit quality and market characteristics. Our credit card and auto securitization programs encumber our securitized retail card and auto loans, while our access to FHLB advances encumber both eligible commercial loans and securities, only when advances are drawn. Nonperforming loans, which are defined as any loan past due by more than 90 days or nonaccrual status, receive an RSF factor of 100%.

For further information regarding our loan portfolio, see “Part I—Item 1. Financial Statements and Supplementary Data—Note 3—Loans” in our Q3 2023 Form 10-Q and “Part II—Item 8. Financial Statements and Supplementary Data—Note 3—Loans” in our 2023 Form 10-K.

Derivative Usage

We use derivatives to manage market risk exposures in accordance with market risk management policies and limits that are approved by our Board of Directors. The majority of the derivatives that we use to manage the Company’s market risk exposures are interest rate and foreign currency swaps. In addition, we may use other derivative instruments, including caps, floors, options, futures and forward contracts, to manage our market risks.

In addition to using derivatives to manage our market risk exposures as noted above, 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 majority of the market risk exposure of our customer accommodation derivatives through derivative transactions with other counterparties.

For purposes of the NSFR Rule, we calculate the overall NSFR derivative asset amount or NSFR derivative liability amount by calculating the difference between the total derivative asset and liability amounts. If the total derivative asset amount exceeds the total derivative liability amount, we would have an NSFR derivatives asset amount with an RSF factor of 100%. If the total derivative liability amount exceeds the total derivative asset amount, we would have an NSFR derivatives liability amount with an ASF factor of 0%.

For additional information on derivative transactions, see “Part I—Item 1. Financial Statements and Supplementary Data—Note 8—Derivative Instruments and Hedging Activities” in our Q3 2023 Form 10-Q and “Part II—Item 8. Financial Statements and Supplementary Data—Note 9—Derivative Instruments and Hedging Activities” in our 2023 Form 10-K.

NSFR Quantitative Disclosures

The following table provides the average values for our NSFR and related components calculated pursuant to the NSFR Rule for the quarterly period beginning July 1, 2023 and ending September 30, 2023.

Table 2: NSFR Quantitative Disclosure for the Quarter Ended September 30, 2023

Quarter Ended 09/30/2023 In Millions of U.S. Dollars	Average Unweighted Amount					Average Weighted Amount
	Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
ASF ITEM						
Capital and Securities:	\$ —	\$ 1,602	\$ 3,888	\$ 43,670	\$ 60,539	\$ 106,153
NSFR regulatory capital elements	—	—	—	2,340	60,539	62,879
Other capital elements and securities	—	1,602	3,888	41,330	—	43,274
Retail funding:	217,646	38,494	18,991	21,386	—	273,101
Stable deposits	157,375	23,563	9,228	6,278	—	186,622
Less stable deposits	59,107	13,606	4,943	2,811	—	72,420
Sweep deposits, brokered reciprocal deposits, and brokered deposits	911	1,325	4,820	12,297	—	13,932
Other retail funding	253	—	—	—	—	127
Wholesale funding:	47,774	1,102	85	51	—	21,501
Operational deposits	17,994	—	—	—	—	8,997
Other wholesale funding	29,780	1,102	85	51	—	12,504
Other liabilities:						
NSFR derivatives liability amount					1,628	
Total derivatives liability amount					2,285	
All other liabilities not included in above ASF categories of this table	—	17,327	—	—	—	—
TOTAL ASF¹						354,108
RSF ITEM						
Total high-quality liquid assets (HQLA)	38,931	537	1,143	72,810	1,407	6,650
Level 1 liquid assets	38,931	504	1,097	30,854	1,407	226
Level 2A liquid assets	—	33	46	41,956	—	6,424
Level 2B liquid assets	—	—	—	—	—	—
Zero percent RSF assets that are not level 1 liquid assets or loans to financial sector entities or their consolidated subsidiaries	—	1,619	—	—	808	—
Operational deposits placed at financial sector entities or their consolidated subsidiaries	1,931	—	—	—	—	1,117

Quarter Ended 09/30/2023 In Millions of U.S. Dollars (continued)	Average Unweighted Amount					Average Weighted Amount
	Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
Loan and securities:	\$ —	\$ 33,660	\$ 33,218	\$ 244,577	\$ —	\$ 245,372
Loans to financial sector entities secured by Level 1 liquid assets	—	—	—	—	—	—
Loans to financial sector entities secured by assets other than level 1 liquid assets and unsecured loans to financial sector entities	—	3,269	7,174	12,640	—	16,753
Loans to wholesale customers or counterparties that are not financial sector entities and loans to retail customers or counterparties	—	30,375	26,015	230,023	—	227,004
Of which: With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	—	1,219	3,313	13,666	—	12,949
Retail mortgages	—	9	19	172	—	126
Of which: With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	—	9	19	172	—	126
Securities that do not qualify as HQLA	—	7	10	1,742	—	1,489
Other Assets:						
Commodities					—	—
Assets provided as initial margin for derivative transactions and contributions to CCPs' mutualized loss-sharing arrangements					1,796	1,795
NSFR derivatives asset amount					—	—
Total derivatives asset amount					658	
RSF for potential derivatives portfolio valuation changes					7,784	389
All other assets not included in the above RSF categories of this table, including nonperforming assets	46	2,140	1,007	37,379	10,772	51,221
Undrawn commitments:					43,692	2,185
TOTAL RSF prior to application of required stable funding adjustment percentage						308,729
Required stable funding adjustment percentage						85 %
TOTAL adjusted RSF						\$ 262,420
NET STABLE FUNDING RATIO						135 %

(1) Excludes excess ASF maintained at the Bank.

The following table provides the average values for our NSFR and related components calculated pursuant to the NSFR Rule for the quarterly period beginning October 1, 2023 and ending December 31, 2023.

Table 3: NSFR Quantitative Disclosure for the Quarter Ended December 31, 2023

Quarter Ended 12/31/2023 In Millions of U.S. Dollars	Average Unweighted Amount					Average Weighted Amount
	Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
ASF ITEM						
Capital and Securities:	\$ —	\$ 3,008	\$ 5,548	\$ 42,067	\$ 59,773	\$ 104,614
NSFR regulatory capital elements	—	—	—	2,034	59,773	61,807
Other capital elements and securities	—	3,008	5,548	40,033	—	42,807
Retail funding:	219,056	42,522	16,304	21,816	—	275,886
Stable deposits	158,822	26,131	7,807	7,935	—	190,660
Less stable deposits	59,078	14,962	3,178	3,334	—	72,496
Sweep deposits, brokered reciprocal deposits, and brokered deposits	910	1,429	5,319	10,547	—	12,607
Other retail funding	246	—	—	—	—	123
Wholesale funding:	44,576	1,249	77	48	—	20,637
Operational deposits	16,645	—	—	—	—	8,323
Other wholesale funding	27,931	1,249	77	48	—	12,314
Other liabilities:						
NSFR derivatives liability amount					1,631	
Total derivatives liability amount					2,329	
All other liabilities not included in above ASF categories of this table	—	18,195	—	—	—	—
TOTAL ASF¹						357,688
RSF ITEM						
Total high-quality liquid assets (HQLA)	38,133	650	1,567	71,537	1,435	6,677
Level 1 liquid assets	38,133	646	1,358	29,696	1,435	244
Level 2A liquid assets	—	4	209	41,841	—	6,433
Level 2B liquid assets	—	—	—	—	—	—
Zero percent RSF assets that are not level 1 liquid assets or loans to financial sector entities or their consolidated subsidiaries	—	1,980	—	—	848	—
Operational deposits placed at financial sector entities or their consolidated subsidiaries	1,968	—	—	—	—	1,143

Quarter Ended 12/31/2023 In Millions of U.S. Dollars (continued)	Average Unweighted Amount					Average Weighted Amount
	Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
Loan and securities:	\$ —	\$ 35,484	\$ 33,427	\$ 245,174	\$ —	\$ 246,499
Loans to financial sector entities secured by Level 1 liquid assets	—	—	—	—	—	—
Loans to financial sector entities secured by assets other than level 1 liquid assets and unsecured loans to financial sector entities	—	4,642	6,360	12,099	—	16,033
Loans to wholesale customers or counterparties that are not financial sector entities and loans to retail customers or counterparties	—	30,834	26,993	230,812	—	228,537
Of which: With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	—	2,195	2,988	13,205	—	12,525
Retail mortgages	—	8	18	179	—	129
Of which: With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	—	8	18	179	—	129
Securities that do not qualify as HQLA	—	—	56	2,084	—	1,800
Other Assets:						
Commodities					—	—
Assets provided as initial margin for derivative transactions and contributions to CCPs' mutualized loss-sharing arrangements					1,610	1,610
NSFR derivatives asset amount					—	—
Total derivatives asset amount					698	
RSF for potential derivatives portfolio valuation changes					7,435	372
All other assets not included in the above RSF categories of this table, including nonperforming assets	86	2,355	1,074	38,540	11,134	53,049
Undrawn commitments:					43,502	2,175
TOTAL RSF prior to application of required stable funding adjustment percentage						311,525
Required stable funding adjustment percentage						85 %
TOTAL adjusted RSF						\$ 264,796
NET STABLE FUNDING RATIO						135 %

⁽¹⁾ Excludes excess ASF maintained at the Bank.