Liquidity Coverage Ratio Disclosures

December 31, 2022

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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, 2022, 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."

Regulatory Framework

The Company and the Bank are subject to the Liquidity Coverage Ratio Rule ("LCR 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 and the Federal Deposit Insurance Corporation ("FDIC") (collectively, the "Federal Banking Agencies") in the United States. The LCR Rule requires covered institutions to hold an amount of unencumbered high-quality liquid assets ("HQLA") that equals or exceeds 100% of their respective projected net cash outflows ("NCO") over a 30 calendar-day stress period as calculated in accordance with the LCR Rule:

$$\frac{High\ Quality\ Liquid\ Assets}{Total\ Net\ Cash\ Outflow} \geq 100\%$$

The LCR Rule requires quarterly public disclosure of quantitative information about a covered institution's Liquidity Coverage Ratio ("LCR") calculation and a qualitative discussion of its LCR. The Company and the Bank are required to calculate their respective LCR on a daily basis. Additionally, the Company is required to disclose the quarterly average of its LCR. For the three months ended December 31, 2022, the Company and the Bank exceeded the LCR 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. As such, the Company's and the Bank's total net cash outflows are multiplied by an outflow adjustment percentage of 85%. Although the Bank may hold more HQLA than it needs to meet its LCR requirements, the LCR Rule restricts the amount of such excess HQLA held at the Bank (referred to as "Trapped Liquidity") that can be included in the Company's HQLA Amount. We typically manage the Bank's LCR to levels well above 100%, resulting in additional Trapped Liquidity as the Bank's net cash outflows are reduced by the outflow adjustment percentage of 85%.

For additional information about the liquidity guidelines we are subject to, see "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, 2022 (the "2022 Form 10-K").

Basis of Preparation

This report contains our LCR disclosures for the quarterly period ended December 31, 2022, and has been prepared in accordance with the regulatory guidance prescribed by the LCR Rule. It should be read in conjunction with our 2022 Form 10-K.

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," "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, including, but not limited to the 2022 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 continuously monitor market and economic conditions to evaluate emerging stress conditions and to develop appropriate action plans in accordance with our Contingency Funding Plan and our Recovery Plan, which include the Company's policies, procedures and action plans for managing liquidity stress events. The Liquidity Framework enables us to manage our liquidity risk in accordance with regulatory requirements.

Additionally, the Liquidity Framework establishes governing principles that apply to the management of liquidity risk. We use these principles to monitor, measure and report liquidity risk; to develop funding and investment strategies that enable us to maintain an adequate level of liquidity to support our businesses and satisfy regulatory requirements; and to protect us from a broad range of liquidity events should they arise.

The Chief Risk Officer, in conjunction with the Chief Market and Liquidity Risk Officer, 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 through idiosyncratic, systemic and combined liquidity stress scenarios. Management reports liquidity metrics to appropriate senior management committees and to our Board of Directors no less than quarterly.

We seek to mitigate liquidity risk strategically and tactically. From a strategic perspective, we have acquired and built deposit gathering businesses and actively monitor our funding concentration. From a tactical perspective, we have accumulated a sizable liquidity reserve comprised of cash and cash equivalents, high-quality, unencumbered securities and committed collateralized credit lines. We also continue to maintain access to secured and unsecured debt markets through regular issuance. This combination of stable and diversified funding sources and our stockpile of liquidity reserves enable us to maintain confidence in our liquidity position.

For additional information on our risk framework and structure and organization of the Liquidity Risk Management function, see "Part II—Item 7. MD&A—Risk Management" in our 2022 Form 10-K.

Liquidity Coverage Ratio

The LCR Rule requires the Company to hold an HQLA Amount that equals or exceeds 100% of our projected net cash outflows over a 30 calendar-day stress period.

Table 1 provides a summary of our average weighted daily LCR for the quarterly period ended December 31, 2022.

Table 1: Liquidity Coverage Ratio

	Three Months Ended December 31, 2022
(Dollars in millions)	**Average Weighted[1]**
HQLA Amount[2]	$ 54,038
Total adjusted NCO amount	37,902
LCR	143 %

(1) Represents the average weighted amount after applying regulatory prescribed HQLA haircuts or cash outflow and inflow rates.

(2) Excludes Trapped Liquidity at the Bank.

The Company's average LCR was driven by:

- HQLA Amount, which primarily consists of cash on deposit at central banks and eligible Level 1 and Level 2A securities; and
- NCO, predominantly related to deposits.

The Company's average LCR increased from 139% to 143% from the third quarter of 2022 to the fourth quarter of 2022 driven primarily by higher HQLA. Our LCR may fluctuate period over period as a result of ongoing business activity. We provide additional information on HQLA and NCO in the "High-Quality Liquid Assets" and "Net Cash Outflows" sections of this report, respectively.

High-Quality Liquid Assets

HQLA are assets that can be easily and quickly converted into cash. Under the LCR Rule, assets may qualify as eligible HQLA if they are unencumbered, are able to be monetized, and are free of any other transfer restrictions. Eligible HQLA are categorized based on their risk profile, market-based characteristics, and central bank eligibility, and are divided into three categories: Level 1, Level 2A and Level 2B. Level 1 assets include central bank reserves (less any applicable reserve requirements) and certain marketable securities issued or backed by sovereigns and central banks. Level 2A assets, which are subject to a 15% haircut, generally include certain securities backed by U.S. government-sponsored enterprises and securities issued by sovereigns or central banks which are not eligible for the Level 1 category. Level 2B assets, subject to a 50% haircut, generally include certain corporate debt securities and publicly traded common equities.

The LCR Rule prescribes a liquid asset cap such that an institution cannot have more than 40% of its HQLA in Level 2 assets and no more than 15% of its HQLA in Level 2B assets. To the extent an institution has excess Level 2A or Level 2B assets, that excess is not included in the HQLA Amount used for purposes of computing the LCR. In addition, per the LCR Rule, the Company's HQLA Amount also excludes any Trapped Liquidity, which is the HQLA held at the Bank in excess of the Bank's total net cash outflows that are not transferable to non-bank affiliates.

The following table provides the average values of our HQLA and related components for the quarterly period ended December 31, 2022.

Table 2: Eligible HQLA Composition

	Three Months Ended December 31, 2022	
(Dollars in millions)	**Average Unweighted[1]**	**Average Weighted[2]**
Eligible HQLA[3]	**$ 57,489**	**$ 54,103**
Eligible Level 1 liquid assets	34,914	34,914
Eligible Level 2A liquid assets	22,575	19,189
Eligible Level 2B liquid assets	—	—

(1) Represents the average unweighted amount of eligible HQLA before applying regulatory prescribed haircuts.

(2) Represents the average weighted amount after applying regulatory prescribed HQLA haircuts.

(3) Excludes Trapped Liquidity at the Bank. Eligible HQLA may not equal "HQLA Amount" reported in Tables 1 and 5 due to the application of the Level 2 liquid asset caps. Eligible Level 2 assets in this table may exceed the 40% cap.

Net Cash Outflows

The total NCO amount is determined by calculating the prescribed outflows and inflows over a 30 calendar-day stress horizon. The NCO amount is calculated by applying outflow and inflow rates to certain assets, liabilities and off-balance sheet arrangements based on their contractual maturity as prescribed in the LCR Rule. Where contractual maturity is not applicable, the LCR Rule generally sets forth conservative stressed outflow assumptions.

The LCR Rule caps the amount of cash inflows that an institution can assume in a stress event at 75% of cumulative cash outflows. The LCR Rule also requires covered institutions to adjust the NCO amount by the difference between the peak day mismatch between cumulative outflows and inflows over the 30 calendar-day time horizon and the total inflows and outflows on the final day of that horizon ("Maturity Mismatch Add-On"). This add-on is intended to address potential maturity mismatches between early outflows and late inflows.

The following table provides a summary of our average NCO amounts for the quarterly period ended December 31, 2022. As a Category III institution, the total NCO amount is adjusted after including the Maturity Mismatch Add-On ("Total Unadjusted NCO Amount") by an outflow adjustment percentage of 85%, resulting in the Total Adjusted NCO amount that is used to compute our LCR.

Table 3: Net Cash Outflows

	Three Months Ended December 31, 2022
(Dollars in millions)	**Average Weighted[1]**
Total NCO amount excluding the Maturity Mismatch Add-On	$ 41,847
Maturity Mismatch Add-On	2,743
Total Unadjusted NCO amount	44,590
Outflow Adjustment Percentage	85 %
Total Adjusted NCO amount	$ 37,902

(1) Represents the average weighted amount after applying regulatory prescribed cash outflow and inflow rates.

Source of Funds

The Company's primary source of funding comes from deposits, as they are a stable and relatively low-cost source of funding. A significant portion of our retail deposits are fully FDIC-insured and are considered to be stable under the LCR Rule. The Company also sources deposits from non-retail customers and counterparties, which primarily consist of commercial deposits. Under the LCR Rule, these deposits are generally considered to be wholesale funding and 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.

In addition to deposits, the Company also raises funding through the issuance of senior and subordinated notes, securitized debt obligations, Federal Home Loan Bank advances secured by certain portions of our loan and securities portfolios, and federal funds purchased and securities loaned or sold under agreements to repurchase. A key objective in our use of these markets is to maintain access to a diversified mix of wholesale funding sources.

The following table provides a summary of our average deposit and wholesale funding outflows under the LCR Rule for the quarterly period ended December 31, 2022.

Table 4: Deposit and Wholesale Funding Outflows

	Three Months Ended December 31, 2022	
(Dollars in millions)	**Average Unweighted[(1)]**	**Average Weighted[(2)]**
Deposit outflow from retail customers and counterparties, of which:	**$ 270,285**	**$ 15,707**
Stable retail deposit outflow	167,948	5,038
Other retail funding outflow	81,790	8,200
Brokered deposit outflow	20,547	2,469
Unsecured wholesale funding outflow, of which:	**50,179**	**17,958**
Operational deposit outflow	19,577	4,886
Non-operational funding outflow	30,186	12,656
Unsecured debt outflow	416	416
Total	**$ 320,464**	**$ 33,665**

(1) Represents the average unweighted amount before applying regulatory prescribed cash outflow rates.

(2) Represents the average weighted amount after applying regulatory prescribed cash outflow rates.

Derivative Usage

We use derivatives to manage asset and liability positions and market risk exposures in accordance with market risk management policies and limits that are approved by our Board of Directors. The majority of our derivatives utilized 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 LCR Rule, an institution's net derivative cash outflow or inflow amount equals the sum of contractual payments, collateral and initial margin that will be made or delivered to or received from each counterparty over the prospective 30 calendar-day time horizon.

For additional information on derivative transactions, see "Part II—Item 8. Financial Statements and Supplementary Data—Note 9—Derivative Instruments and Hedging Activities" in our 2022 Form 10-K.

LCR Quantitative Disclosures

The following table provides the average values for our LCR and related components calculated pursuant to the LCR Rule for the quarterly period beginning October 1, 2022 and ending December 31, 2022.

Table 5: LCR Quantitative Disclosures

(Dollars in millions, except as noted)	Three Months Ended December 31, 2022 Average Unweighted[(1)]	Three Months Ended December 31, 2022 Average Weighted[(2)]
High Quality Liquid Assets:		
Total eligible high-quality liquid assets (HQLA), of which:[(3)]	**$ 57,489**	**$ 54,103**
Eligible Level 1 liquid assets	34,914	34,914
Eligible Level 2A liquid assets	22,575	19,189
Eligible Level 2B liquid assets	—	—
Cash Outflow Amounts:		
Deposit outflow from retail customers and counterparties, of which:	**270,285**	**15,707**
Stable retail deposit outflow	167,948	5,038
Other retail funding outflow	81,790	8,200
Brokered deposit outflow	20,547	2,469
Unsecured wholesale funding outflow, of which:	**50,179**	**17,958**
Operational deposit outflow	19,577	4,886
Non-operational funding outflow	30,186	12,656
Unsecured debt outflow	416	416
Secured wholesale funding and asset exchange outflow	**7,354**	**1,078**
Additional outflow requirements, of which:	**52,756**	**14,467**
Outflow related to derivative exposures and other collateral requirements	6,151	6,048
Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	46,605	8,419
Other contractual funding obligation outflow	**296**	**296**
Other contingent funding obligations outflow	—	—
Total cash outflow	**$ 380,870**	**$ 49,506**
Cash Inflow Amounts:		
Secured lending and asset exchange cash inflow	**$ 26**	**$ 26**
Retail cash inflow	**5,018**	**2,508**
Unsecured wholesale cash inflow	**2,009**	**1,514**
Other cash inflows, of which:	**3,611**	**3,611**
Net derivative cash inflow	3,530	3,530
Securities cash inflow	81	81
Broker-dealer segregated account inflow	—	—
Other cash inflow	—	—
Total cash inflow	**$ 10,664**	**$ 7,659**

	Average Total[(4)]
HQLA Amount[(5)]	**$ 54,038**
Total Net Cash Outflow Amount Excluding The Maturity Mismatch Add-On	**41,847**
Maturity Mismatch Add-On	**2,743**
Total Unadjusted Net Cash Outflow Amount	**44,590**
Outflow Adjustment Percentage	**85 %**
Total Adjusted Net Cash Outflow Amount	**$ 37,902**
Liquidity Coverage Ratio (%)	**143 %**

(1) Represents the average unweighted amount of eligible HQLA and NCO before applying regulatory prescribed haircuts or cash outflow and inflow rates.

(2) Represents the average weighted amount after applying regulatory prescribed HQLA haircuts or cash outflow and inflow rates.

(3) Excludes Trapped Liquidity at the Bank. Eligible HQLA may not equal "HQLA Amount" reported in this table due to the application of the Level 2 liquid asset caps. Eligible Level 2 assets may exceed the 40% cap.

[4] The amounts reported in this column may not be equal to the calculation of those amounts using component amounts as reported in the preceding portion of the table due to factors such as the application of the Level 2 liquid asset caps and the total inflow cap.

[5] Excludes Trapped Liquidity at the Bank.