2020 Stress Test Disclosure

Dodd-Frank Act Stress Test Results
Supervisory Severely Adverse Scenario

June 25, 2020

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Overview and Forward Looking Statements

Section 165 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "EGRRCPA"), requires certain bank holding companies, such as Capital One Financial Corporation (“Capital One”), conduct stress tests periodically. Capital One, as a “Category III” firm pursuant to the final tailoring rules issued in October 2019 (the “Tailoring Rules”), conducts stress tests annually to assess the potential impact of certain scenarios on the firm's consolidated earnings, losses, and capital, taking into account its current condition, risks, exposures, strategies and activities. Capital One and its subsidiary Capital One, National Association (“CONA”) conducted stress tests in the first quarter of 2020 using actual performance through the fourth quarter of 2019 and information available at that time. Capital One is also required to disclose a summary of the stress test results under the Supervisory Severely Adverse Scenario biennially. The Supervisory Severely Adverse Scenario was developed by the Federal Reserve and the Office of the Comptroller of the Currency (“OCC”). The summary of Capital One’s results must include estimates of the aggregated impact of the stressed economic scenario on certain financial metrics over the nine-quarter planning horizon. Capital One must provide estimates of its regulatory capital ratios under the Basel III Standardized Approach framework. For additional information regarding the Dodd-Frank Act, the EGRRCPA, U.S. capital rules, the Tailoring rules and their impact on Capital One, see “Part I—Item 1. Business—Supervision and Regulation” of our Annual Report on Form 10-K for the year ended December 31, 2019.

Certain statements and estimates contained here-in may be forward-looking, including those that discuss, among other things: loss projections, revenues, income, capital measures, accruals for litigation and other claims against Capital One, future financial and operating results, Capital One’s plans, objectives, expectations and intentions, and the assumptions that underlie these matters. Capital One cautions readers that the results in the summary below are not forecasts, predictions of future performance, or measures of its solvency; actual results could differ materially from those contained in this summary. In addition, these results do not represent Capital One’s current expectations regarding future results of operations or financial condition. They are based on hypothetical scenarios and other assumptions used for the sole purpose of conducting the required stress tests, and Capital One makes no assurances or predictions about the likelihood of any of these scenarios or assumptions actually occurring. Capital One does not undertake any obligation to update or revise any of the information contained herein whether as a result of new information, future events, or otherwise.

The stress test results below are expected to differ from the stress test results produced by the Federal Reserve in its annual Comprehensive Capital Analysis and Review (“CCAR”) process due to differences in methodologies and assumptions used to produce the results.

2020 CCAR / Dodd-Frank Act Stress Test ("DFAST"): Supervisory Severely Adverse scenario summary

- The Supervisory Severely Adverse scenario is a hypothetical scenario designed by the Federal Reserve consistent with the requirements of the Dodd-Frank Act
- The Supervisory Severely Adverse scenario is characterized by a severe global recession accompanied by a period of heightened stress in commercial real estate and corporate debt markets. This is a hypothetical scenario designed to assess the strength of banking organizations and their resilience to unfavorable economic conditions and does not represent a forecast of the Federal Reserve[1]
- In addition to the adverse economic assumptions reflected in the Supervisory Severely Adverse Scenario, we incorporate the impact of elevated levels of operational losses and other, idiosyncratic risks in our projections

Key economic variables impacting Capital One in the Supervisory Severely Adverse scenario

- **Unemployment Rate:** climbs by approximately six percentage points to a peak of 10.0% by the third quarter of 2021 before improving modestly to 9.7% by the end of the stress horizon (first quarter of 2022)
- **Case-Shiller 20 Home Price Index:** declines approximately 28% from the beginning level of the stress test to a stress horizon low point in the first quarter of 2022
- **Commercial Real Estate Price Index:** declines approximately 35% from the beginning level of the stress test to a stress horizon low point in the first quarter of 2022
- **Interest Rates:** 3-month Treasury rate remains flat at 0.1% throughout the forecast horizon; 10-year Treasury yield gradually increases from 0.7% in the first quarter of 2020 to 1.6% by the end of the stress test horizon (first quarter of 2022)

[1] For complete scenario description, see "2020 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule" published by the Board of Governors of the Federal Reserve System (February 2020)

Description of methodologies used for forecasting losses under stress

Component	Forecast Methodology
PPNR	• We model Pre-Provision Net Revenue ("PPNR") based on the expected performance of our various businesses to estimate the impact that the Supervisory Severely Adverse Scenario would have on our overall financial performance • The projected impacts are based on the characteristics of each asset and liability class and the related support costs for new originations, ongoing management, and the required underlying infrastructure for each business • Our revenue modeling is divided into net interest income and non-interest income, and our non-interest expense modeling is split between operating and marketing expenses
Credit	• For our credit card and auto portfolios, we project stressed losses using account-level econometric models, which incorporate Metropolitan Statistical Area ("MSA") level variables • In our commercial portfolios, most of our loss modeling estimates the impact of this stress scenario at the borrower level, capturing the effects of varying loan characteristics and collateral positions, among other factors • In select portfolios, we use more aggregated economic forecasting approaches that incorporate the specific macro-drivers relevant to each portfolio, including customer and relationship-level attributes • Once credit has been modeled, we translate our overall credit outlook into projected allowance for credit losses ("ACL") in accordance with the Current Expected Credit Loss ("CECL") framework[1]
RWA	• The vast majority of risk weighted assets ("RWA") are driven by loan balances. The three main factors impacting our loan balance projections are: (i) the impact to existing loan balances from higher charge-offs; (ii) the impact to growth in loan balances due to changes in demand; and (iii) the impact to loan growth that results from fewer lending opportunities meeting our profitability and resilience requirements (as our models and underwriting scorecards systematically incorporate leading credit indicators to reflect the worsening credit conditions in the financial projections used in underwriting)
Capital	• The largest impact to our capital ratios comes from changes in credit performance and the corresponding impact to our disallowed deferred tax asset ("DTA") position • Capital actions are presented using 'DFAST rules' as required by the Federal Reserve

[1] Our DFAST projections reflect the three-year transition of the "Day 1" CECL impact, allowed per 2018 revisions to the Basel III Capital Rule. On March 27, 2020, the Fed's Interim Final Rule on CECL was released and provided banking organizations a new five-year transition option to phase-in the impact (both "Day 1" and "ongoing") of CECL on regulatory capital. While we did not revise our DFAST projections to reflect the new phase in option provided by the interim final rule, we have since elected the five-year transition (which provides incremental capital benefits relative to the assumptions in our DFAST projections). For additional information on Capital One's CECL transition election, please refer to our latest 10Q.

Projected Results in the Supervisory Severely Adverse scenario (DFAST rules)

Capital and Risk-Weighted Assets

Capital One Financial Corp. ("COFC")

Capital One internal modeling of projected stressed capital ratios (Q1 2020 – Q1 2022)

	Actual Q4 2019	2020 DFAST regulatory minimum	Stressed Capital Ratios[1]	
			Q1 2022	Minimum
Common equity tier 1 ("CET1") capital ratio (%)	12.2%	4.5%	10.5%	9.0%
Tier 1 risk-based capital ratio (%)	13.7%	6.0%	12.6%	10.8%
Total risk-based capital ratio (%)	16.1%	8.0%	15.1%	13.0%
Tier 1 leverage ratio (%)	11.7%	4.0%	9.8%	9.0%
Supplementary leverage ratio (%)	9.9%	3.0%	8.4%	7.6%

1 The capital ratios are calculated using capital action assumptions provided within the DFAST rules. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The capital ratios presented represent the minimum and the end of period ratios for the nine quarter forecast horizon from Q1 2020 to Q1 2022. These capital action assumptions set forth in the stress test rules (12 CFR 252.56) as of April 6, 2020, include an assumption of common stock dividends equal to the average of the prior four quarters. As disclosed by the Board of Governors of the Federal Reserve System on June 25, 2020, as with all banks, the Company's third quarter 2020 common stock dividends may not exceed an amount equal to the average of the firm's net income for the four preceding calendar quarters.

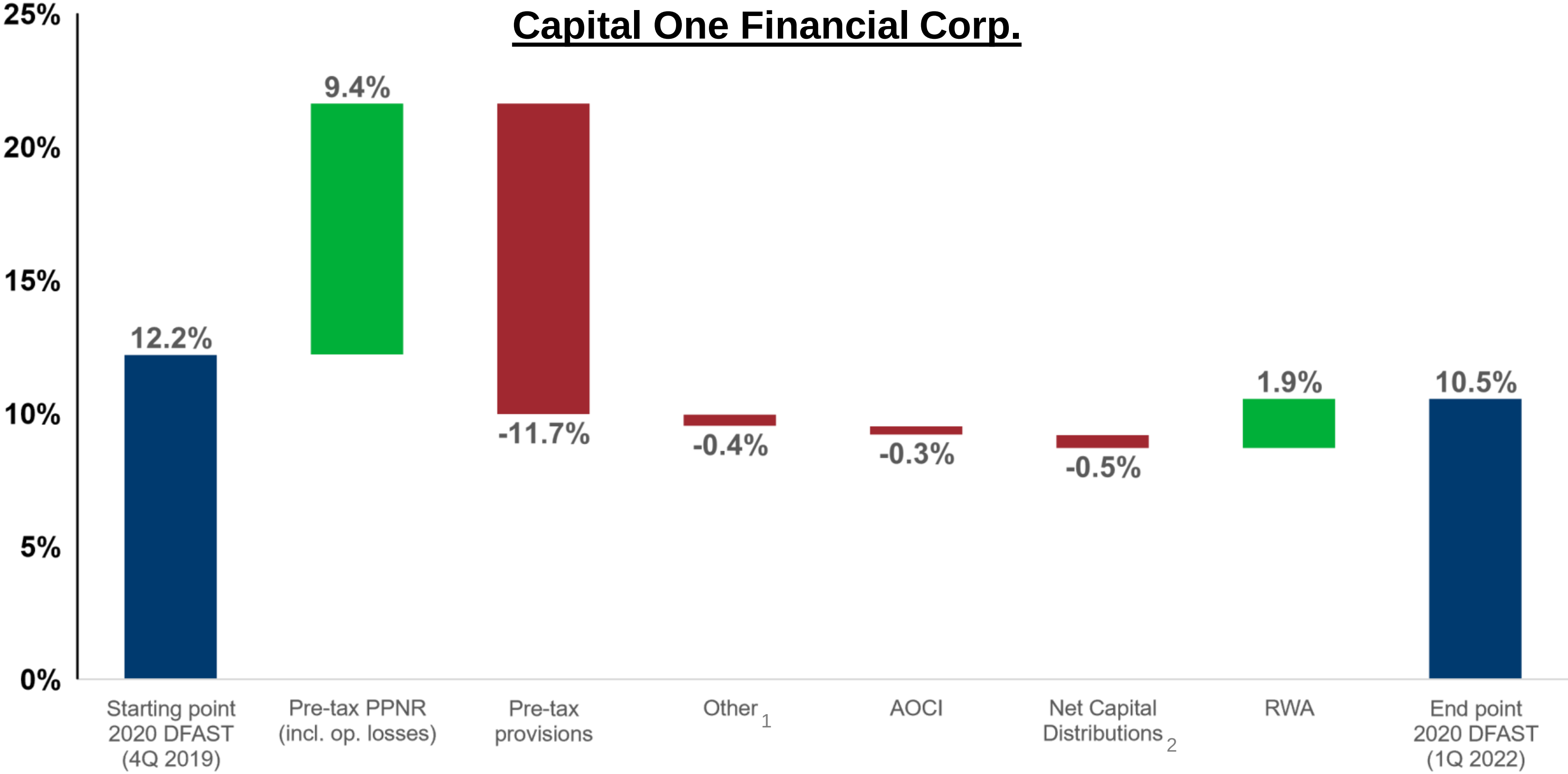
Capital One internal modeling of projected Q1 2022 risk-weighted assets

	Actual Q4 2019	Projected Q1 2022
Risk-weighted assets (billions of dollars)[1]	313.2	257.9

1 Risk-weighted assets are calculated under the Basel III Standardized Approach.

Projected Results in the Supervisory Severely Adverse scenario (DFAST rules)

Change in Common Equity Tier 1 Ratio



CET1 ($B)	38.2	29.5	(36.6)	(1.4)	(1.0)	(1.6)		27.2
RWA ($B)	313.2						(55.3)	257.9

Note: Numbers may not sum due to rounding

[1] Represents other items including realized gains/(losses) on securities available for sale, income taxes, goodwill (net of DTL), intangible assets (net of DTL), CECL day 1 transition phase-in, and disallowed DTA.

[2] Reflects DFAST Capital Actions. These capital action assumptions set forth in the stress test rules (12 CFR 252.56) as of April 6, 2020, include an assumption of common stock dividends equal to the average of the prior four quarters. As disclosed by the Board of Governors of the Federal Reserve System on June 25, 2020, as with all banks, the Company's third quarter 2020 common stock dividends may not exceed an amount equal to the average of the firm's net income for the four preceding calendar quarters.

Projected Results in the Supervisory Severely Adverse scenario (DFAST rules)
Profit and Losses

Capital One Financial Corp.

Capital One internal modeling of cumulative projected revenue, losses, and net income before taxes (Q1 2020 – Q1 2022)		
	Billions of dollars	**Percent of average assets[1]**
Pre-provision net revenue[2]	$29.5	8.3%
Other revenue[3]	-	
less		
Provisions	36.6	
Realized losses/(gains) on securities available for sale	0.0	
Trading and counterparty losses[4]	-	
Other losses/(gains)	-	
Net income before taxes	**$(7.0)**	**(2.0%)**
Supplementary Information		
Other comprehensive income[5]	(0.6)	-

Other effects on capital	**Actual 4Q 2019**	**Q1 2022**
AOCI included in capital calculations	$0.8	$(0.2)

[1] Expressed on a nine-quarter cumulative basis as a percentage of average assets over the same time period.
[2] Pre-provision net revenue includes stress adjustments for operational risk events, and expenses including mortgage representation and warranty and real estate held for sale.
[3] Other revenue includes one-time income and expense items not included in pre-provision net revenue.
[4] Trading and counterparty losses include mark-to-market losses, changes in credit valuation adjustments ("CVA") and incremental default losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.
[5] In the first quarter of 2020, we elected to exclude from our regulatory capital ratios certain components of AOCI (primarily AFS) as permitted under the Tailoring Rules.

Projected Results in the Supervisory Severely Adverse scenario (DFAST rules)
Credit Losses

Capital One Financial Corp.

Capital One internal modeling of projected credit losses by loan portfolio type[1] (Q1 2020 – Q1 2022)		
	Billions of dollars	**Percentage of Average Portfolio Balances[2]**
Loan Losses:		
First lien mortgages, domestic	$0.0	4.3%
Junior liens and HELOCs, domestic	0.0	4.0
Commercial and industrial[3]	3.4	9.9
Commercial real estate, domestic	1.1	4.0
Credit cards	23.7	21.4
Other consumer[4]	5.6	10.5
Other Loans	0.2	1.3
Total loan losses	**$33.9**	**14.0%**

[1] Reflects loan classification under regulatory reporting FR Y-9C - Consolidated Financial Statements for Holding Companies ("FR Y-9C"). This classification is different than how Capital One classifies loan product types for Securities and Exchange Commission ("SEC") reporting purposes. For example, FR Y-9C requires that small business credit card loans be reported under commercial and industrial, whereas these loans are reported as credit card loans for SEC reporting purposes.
[2] Average loan balances used to calculate portfolio loss rates exclude loans held for sale and are calculated over nine quarters.
[3] Includes small business credit card loans, small and medium enterprise loans and corporate cards.
[4] Includes auto loans.

Projected Results in the Supervisory Severely Adverse scenario (DFAST rules)
End of Period Loans

Capital One Financial Corp.

Capital One internal modeling of projected loan portfolio balances[1]		
	Actual Q4 2019	**Projected Q1 2022**
End of Period Loans:		
First lien mortgages, domestic	$0.2	$0.1
Junior liens and HELOCs, domestic	0.1	0.0
Commercial and industrial[2]	37.3	29.6
Commercial real estate, domestic	30.8	23.6
Credit cards	119.1	99.5
Other consumer[3]	60.5	45.4
Other Loans	17.9	13.8
Total Loans	**$265.9B**	**$212.0B**

[1] Loan balances exclude loans held for sale.
[2] Includes small business credit card loans, small and medium enterprise loans and corporate cards.
[3] Includes auto loans.

Projected Results in the Supervisory Severely Adverse scenario (DFAST rules)
Capital and Risk-Weighted Assets

Capital One, National Association (“CONA”)
A subsidiary of COFC

Capital One internal modeling of projected stressed capital ratios (Q1 2020 – Q1 2022)

	Actual Q4 2019	2020 DFAST regulatory minimum	Stressed Capital Ratios[1]	
			Q1 2022	Minimum
Common equity tier 1 capital ratio (%)	13.4%	4.5%	15.5%	12.1%
Tier 1 risk-based capital ratio (%)	13.4%	6.0%	15.5%	12.1%
Total risk-based capital ratio (%)	14.5%	8.0%	16.8%	13.3%
Tier 1 leverage ratio (%)	9.2%	4.0%	9.5%	8.2%
Supplementary leverage ratio (%)	8.2%	3.0%	8.5%	7.2%

1 The capital ratios are calculated using capital action assumptions provided within the DFAST rules. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The capital ratios presented represent the minimum and the end of period ratios for the nine quarter forecast horizon from Q1 2020 to Q1 2022.

Capital One internal modeling of projected Q1 2022 risk-weighted assets

	Actual 4Q19	Projected Q1 2022
Risk-weighted assets (billions of dollars)[1]	213.0	180.5

1 Risk-weighted assets are calculated under the Basel III Standardized Approach.