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February 7, 2025

VIA EZFile

Brent Hassell  
Assistant Vice President  
The Federal Reserve Bank of Richmond  
P.O. Box 27622  
Richmond, VA 23261

Re: Additional Information Request Regarding Application by Capital One Financial Corporation to Acquire Discover Financial Services (the “Additional Information Request”)

We are submitting this letter and the related confidential exhibits volume in response to your request for additional information, dated January 28, 2025, regarding the application seeking the prior approval of the Board of Governors of the Federal Reserve System (the “Federal Reserve”) for Capital One Financial Corporation (“Capital One”), the parent of Capital One, National Association, to acquire Discover Financial Services (“Discover”) and thereby acquire control of its subsidiary bank, Discover Bank (the “Application”). For ease of reference, your questions are included in bold with the responses immediately following. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Application.

\* \* \*

Brent Hassell  
The Federal Reserve Bank of Richmond  
February 7, 2025  
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Confidential treatment is being requested under the federal Freedom of Information Act, 5 U.S.C. § 552 (the “FOIA”), and the implementing regulations of the Board of Governors of the Federal Reserve System (the “Federal Reserve”), for the information contained in the Confidential Exhibits Volume to this letter (the “Confidential Materials”). The Confidential Materials include, for example, information regarding the business strategies and plans of (1) Capital One Financial Corporation (“COFC”), Vega Merger Sub, Inc. (“Merger Sub”) and Capital One, National Association (“CONA”) and (2) Discover Financial Services (“Discover”) and Discover Bank, and other information regarding additional matters of a similar nature, which is commercial or financial information that is both customarily and actually treated as private by COFC, Merger Sub, CONA, Discover and Discover Bank and provided to the government under an assurance of privacy. Certain information in the Confidential Materials also includes confidential supervisory information, which is protected from disclosure. None of this information is the type of information that would otherwise be made available to the public under any circumstances. All such information, if made public, could result in substantial and irreparable harm to COFC, Merger Sub, CONA, Discover and Discover Bank. Other exemptions from disclosure under the FOIA may also apply. In addition, investors and potential investors could be influenced or misled by such information, which is not reported in any documents filed or to be filed in accordance with the disclosure requirements of applicable securities laws, as a result of which COFC, Merger Sub, CONA, Discover and Discover Bank could be exposed to potential inadvertent violations of law or exposure to legal claims. Accordingly, confidential treatment is respectfully requested for the Confidential Materials under the FOIA and the Federal Reserve’s implementing regulations.

Please contact the undersigned (212-403-1354), Matthew T. Carpenter (212-403-1031) or Ledina Gocaj (212-403-1022) before any public release of any of this information pursuant to a request under the FOIA or a request or demand for disclosure by any governmental agency, congressional office or committee, court or grand jury. Such prior notice is necessary so that COFC, Merger Sub, CONA, Discover and Discover Bank may take appropriate steps to protect such information from disclosure.

If you have any questions about this submission or confidential treatment request, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard K. Kim", with a stylized, wavy line above the name.

Richard K. Kim

Brent Hassell  
The Federal Reserve Bank of Richmond  
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Enclosures

cc (by email):

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Brandon C. Price, Wachtell, Lipton, Rosen & Katz  
Matthew T. Carpenter, Wachtell, Lipton, Rosen & Katz  
Ledina Gocaj, Wachtell, Lipton, Rosen & Katz

**Capital One Financial Corporation Public Responses to Additional Information Request  
from the Federal Reserve Bank of Richmond, dated January 28, 2025**

1. **Provide an updated version of Confidential Exhibit C, titled “Pro Forma and Projected Financials, Capital Ratios and Asset Quality of COFC and CONA”, which was also included with redactions as Public Exhibit 17, to the Section 3 application, dated March 20, 2024. The statements and information provided should be as of December 31, 2024. In addition, the following refinements or additions are requested:**
  - a. **Financial statements should be provided with more granularity as the submitted appear to be condensed versions.**
  - b. **For the income statements, include actual and pro forma columns.**
  - c. **The financial statements should include and identify the one-time merger costs as well as projected costs/revenues with the proposed merger with assumptions explained.**

Please see Confidential Annex A.

2. **Provide actual and pro forma asset and liability concentrations for CONA relative to (i) tier 1 capital plus allowance for credit losses and (ii) total loans. All figures requested should be as of December 31, 2024.**

Please see Confidential Exhibit 1.

3. **Provide asset quality ratios (with relevant calculations) for Capital One and CONA on a consolidated and bank only basis, using actual and pro forma balance sheets as of December 31, 2024. The asset quality analysis should include the following:**
  - a. **Focus on two separate elements: (i) internally classified assets comprised of the separate categories of substandard, doubtful, and loss (with relevant components of other real estate owned (“OREO”) separately identified in each category), and (ii) nonperforming assets, comprised of nonaccrual loans, all restructured and modified loans, and OREO.**
  - b. **For the classified assets ratio, the level of classified assets should be compared to the total amount of tier 1 capital and allowance for credit losses.**
  - c. **For the nonperforming assets ratio, the level of nonperforming assets should be compared to the total equity capital and the allowance for credit losses.**

Please see Confidential Exhibit 2.

4. **Provide loan loss reserve coverage ratios (with relevant calculations) for Capital One and CONA on a consolidated and bank only basis, using actual and pro forma**

**balance sheets as of December 31, 2024. The coverage ratios should include the following:**

- a. For the numerator use the total allowance for credit losses and for the denominator use nonaccrual loans and leases.**

Please see Confidential Exhibit 2.

- 5. Provide balance sheet and income statements for DFS Corporate Services, LLC, and DFS Services, LLC, both of Riverwoods, Illinois, as of December 31, 2024.**

Please see Confidential Exhibit 3.