Presale:

Capital One Multi-Asset Execution Trust (Class A(2023-1))

May 15, 2023

PRIMARY CREDIT ANALYST

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Preliminary rating

Class	Preliminary rating	Interest rate	Amount (mil. $)	Credit support (%)	Expected maturity date	Legal maturity date
A(2023-1)	AAA (sf)	Fixed	500	21	May 15, 2026	May 15, 2028

Note: This presale report is based on information as of May 15, 2023. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities.

Profile

Issuer	Capital One Multi-Asset Execution Trust.
Issuer trust collateral	A collateral certificate issued by Capital One Master Trust, which is collateralized by receivables generated by revolving consumer and small business credit card accounts owned by Capital One N.A. or one of its affiliates.
Originator and servicer	Capital One N.A. (BBB+/Stable/A-2).
Depositor and transferor	Capital One Funding LLC.
Indenture trustee/bank account	Bank of New York Mellon.
Owner trustee	Deutsche Bank Trust Co. Delaware.

Rationale

The preliminary 'AAA (sf)' rating assigned to Capital One Multi-Asset Execution Trust's (COMET) card series class A(2023-1) notes reflects:

- Our view of the 21.0% credit support provided by the subordinated class B, C, and D notes, which we believe is sufficient to withstand the simultaneous stresses we apply to our 5.5% base-case loss rate, 20.0% base-case payment rate, 18.0% base-case yield, and 2.0% purchase rate assumptions for the credit card receivables backing the notes. In addition, we used stressed excess spread and note interest rate assumptions to assess whether sufficient credit support is available for the notes. All of these stress assumptions are based on our current criteria and assumptions (for more information, see "U.S. Credit Card Securitizations: Methodology And Assumptions," published Aug. 24, 2017).

- Our view that the 5.0% minimum seller's interest will be insufficient in our 'AAA' stress scenarios to absorb dilution (noncash reductions in the receivables) stress of 7.0%, resulting in a 2.0% uncovered dilution, which is captured in our cash flow analysis.
- Our expectation of the periodic interest payments and the full principal repayments by the notes' legal final maturity date under stressed cash flow modeling scenarios, using assumptions that are commensurate with the assigned preliminary rating.
- Our expectation that under a moderate ('BBB') stress scenario, all else being equal, the assigned preliminary 'AAA (sf)' rating will be within our credit stability limits.
- Our view of the credit risk that is inherent in the collateral loan pool (based on our economic forecast), the master trust portfolio's historical performance, the collateral characteristics, and vintage performance data.
- That the trust receivables performance has remained steady to-date. We believe our base-case and stressed assumptions continue to adequately reflect our views regarding the credit risk of the prime credit card receivables and corresponding performance, our updated macroeconomic forecast for the U.S., and our forward-looking view of the credit card sector.
- Our view of Capital One N.A.'s (Capital One; BBB+/Stable/A-2) servicing experience and account origination, underwriting, account management, collections, and general operational practices.
- Our view of the notes' underlying payment structure, cash flow mechanics, and legal structure.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For credit card ABS, we view the exposure to environmental credit factors as below average, to social credit factors as above average, and to governance credit factors as average (see "ESG Industry Report Card: Credit Card Asset-Backed Securities," published March 31, 2021). In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark. Social credit factors are generally viewed as above average given the relatively high interest rates for borrowers who carry a balance month to month. However, we believe our approach to determining yield stresses, which considers the impact of any potential legislation or regulatory actions on interest rates and fees, adequately accounts for this. Governance credit factors are generally viewed as average, reflecting the originator's active role managing the revolving collateral pool over the transaction's life, exposing investors to the risk of loosening underwriting standards or potential adverse selection. To account for this risk, we assumed that the pool's composition and quality will reflect the originator/servicer's track records, operational strategies, and the historical performance data across varying economic cycles, typically resulting in a higher expected loss than that of the actual performance data.

Class A(2023-1) Note Summary

All aspects of the note structure are unchanged from the prior notes, including the issuer, eligible accounts and receivables, payment priority, collections and allocation mechanics, early redemption events, and events of default.

Key features of the class A(2023-1) issuance include the following:

- The notes will pay fixed-rate interest monthly on the 15th day of each calendar month, or the next business day if it is not a business day, beginning in July 2023.
- The notes' credit support will be provided by the subordinated class B, C, and D notes issued by the trust. Based on the transaction documents, the note issuance trust may issue additional tranches of class A notes as long as the minimum required amount of class B, C, and D notes is outstanding to support them.
- The card series class B, C, and D notes together will provide minimum subordination of 26.5825%, when expressed as a percentage of the class A(2023-1) principal balance, to support the class A(2023-1) notes. When expressed as a percentage of the entire capital structure, these credit support levels translate to a total of 21.0000% credit support from the class B, C, and D notes.

Transaction Overview

The main features of the COMET card series securities are as follows:

- The notes are collateralized by an undivided investor interest in Capital One Master Trust's series 2002-CC collateral certificate, which, in turn, is collateralized by credit card receivables from Visa and MasterCard revolving credit card accounts that are originated and serviced by Capital One. The receivables can be sold to the master trust as long as they are from accounts owned by Capital One or an affiliate, the cardholders have not voluntarily or involuntarily entered into bankruptcy proceedings, and the receivables are denominated in U.S. dollars.
- In the card series, delinked tranches can be issued as long as certain issuance conditions are met, such as ensuring that the minimum required credit support is available for each class of notes.
- The card series consists of four classes of notes: A, B, C, and D. The class B, C, and D notes are subordinated to the class A notes and are part of the credit enhancement structure. The class A, B, C, and D note issuances are independent of each other. However, additional notes cannot be issued from the card series unless the required credit enhancement for that class of notes (classes B, C, and D for class A; classes C and D for class B; and class D for class C) is available.
- Classes issued as part of the card series are grouped together to allocate finance charge receivable cash flows. Thus, a single set of monthly cash flows generates excess spread for all the notes rather than for individual securities.
- Principal cash flows are shared across all classes of notes. If any one class is set to repay principal, but its pro rata share of principal cash flows (from the underlying credit card receivables) is insufficient, that class can use principal from all other classes that are not repaying principal.

Collateral Overview

When we review credit card trusts, we use peer group comparisons to refine our evaluation of a specific pool relative to similar portfolios, based on collateral characteristics. Overall, we believe that the receivables designated to the master trust reflect a well-seasoned, geographically diverse prime portfolio. A significant percentage of the accounts included in this transaction's pool have high FICO scores and long performance histories (similar to COMET's peers), and approximately one-third of accountholders pay their balances in full each month.

We believe the historical increases in balances and credit limits are attributable to the high concentration of mature accounts, which tend to have high credit limits and balances, and fewer newly originated accounts, which typically start with lower limits and balances. We consider the performance of mature accounts to be more predictable than that of newly originated accounts. (For more information on this pool's collateral characteristics and performance, how they have changed over time, and how they compare with peer credit card originators, see "U.S. And Canada Credit Carda ABS Review," published Feb. 23, 2023.)

The master trust portfolio includes receivables from consumer accounts and small-business accounts (approximately 91.0% and 9.0%, respectively, of the receivables as of April 2023). Historically, loss rates for the small-business segment were generally higher than losses for the consumer segment. However, net loss rates for the consumer segment have been higher since 2016. In 2022, loss rates for both segments average approximately 1.0%. The business segment has historically had a significantly higher principal payment rate. The small-business principal payment rate averaged approximately 76.0% in 2022, compared with approximately 43.0% for the consumer segment during the same period.

We generally view the small-business accounts designated to the pool as consumer accounts rather than commercial accounts. Although the receivables generated by the small-business accounts currently outperform the receivables generated by the consumer segment, we believe the performance of these receivables could become more volatile during an economic downturn. For example, for small-business accounts, the business owner and the business are jointly and severally liable for any account balances, which could result in a higher loss severity than consumer accounts. We considered this risk in our assumptions when we reviewed this pool.

Table 1

Master trust receivables

As of Apr. 19, 2023

	Consumer segment	Small-business segment
Principal receivable balance (bil. $)	20.83	2.05
Average principal balance ($)	2,137	3,026
Average credit limit ($)	10,032	12,034
Utilization rate (%)	21.3	25.1
Rate type	About 90.0% of the accounts are variable-rate, and 10.0% are fixed-rate.	About 88.0% of the accounts are variable-rate, and 12.0% are fixed-rate.
Age of accounts	The average account age is 204 months, and all accounts are at least 60 months.	The average account age is 220 months, and all accounts are at least 60 months.
Credit score	Approximately 62.0% of the receivables are from accounts with a FICO score of at least 720.	Approximately 71.0% of the receivables are from accounts with a FICO score of at least 720.
Payment	Approximately 7.3% of accounts make minimum payments, and about 39.8% make at least the full payment.	Approximately 4.3% make minimum payments, and 50.0% make at least the full payment.

Although the small-business segment generally exhibits higher account balances and credit lines than the consumer segment, a larger percentage of the receivables are from highly seasoned accounts and have higher FICO scores, with a smaller percentage of accounts making the minimum payment than the consumer segment.

Collateral Performance

The trust's credit profile and performance trend are stable. We believe our base-case and stressed assumptions continue to adequately reflect our view regarding credit risk of the prime credit card receivables and corresponding performance, our updated macroeconomic forecast for the U.S., and our forward-looking view of the credit card sector.

We compared the master trust's performance with our U.S. bankcard Credit Card Quality Index (CCQI). The trust's loss rate is broadly in line with that of the U.S. bankcard CCQI and was trending slightly below the CCQI in recent months (see chart 1). The trust's yield and payment rate have historically trended above the CCQI (see charts 2 and 3).

S&P Global Ratings' Assumptions

A summary of the stresses we used when assigning our preliminary rating to the notes is shown in table 2.

Table 2

S&P Global Ratings' credit rating scenarios

	Net losses(i)	Total payment rate(ii)	Yield(ii)	Purchase rate(ii)	Uncovered dilution
Base-case assumption (%)	5.5	20.0	18.0	N/A	N/A
'AAA' rating stress assumption (%)	33.0	9.5	11.0	2.0	2.0

(i)In our 'AAA' rating scenario, losses rise to the stressed multiple over 12 months. (ii)The total payment, yield, and purchase rates start at the stressed levels in the first month of our cash flow runs. N/A--Not applicable.

Our loss rate assumption is generally above the trust's current performance, and our payment rate and yield assumptions are generally below the trust's current performance. The stresses we use are commensurate with 'AAA' level rating scenarios and are based on our criteria "U.S. Credit Card Securitizations: Methodology And Assumptions," published Aug. 24, 2017.

Loss Rate

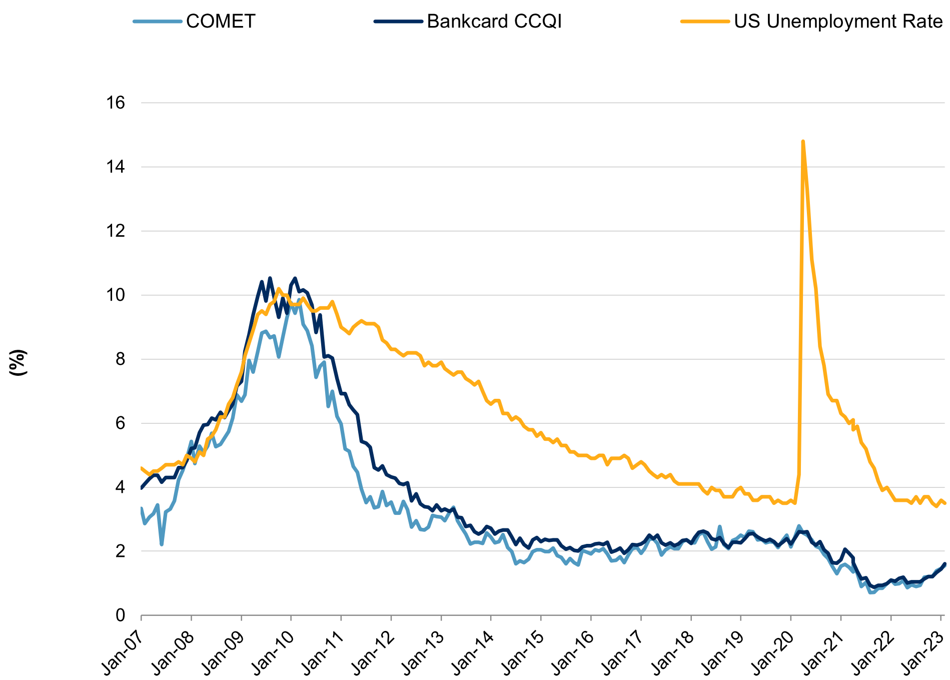
Our 5.5% base-case loss assumption for COMET is a forward-looking view that considers potential changes in the composition of the consumer and small-business portfolios and incorporates macroeconomic variables, including S&P Global Ratings' 2023 unemployment forecast under our baseline economic scenario.

The 33.0% 'AAA' stressed annualized peak loss assumption that we use in our cash flow model for this pool equals the 33.0% 'AAA' peak loss we established for a benchmark pool because we believe this pool will perform similar to the benchmark pool in an extreme economic scenario.

COMET's loss rate has historically trended in line with the CCQI, averaging approximately 1.03% as of the 12 months ended Dec. 31, 2022, and 1.47% as of the three months ended March 31, 2023. We continue to monitor the evolving economic environment and expect the master trust loss rates to remain relatively stable over the next 18-24 months based on the current pool composition.

Chart 1

Net loss rate



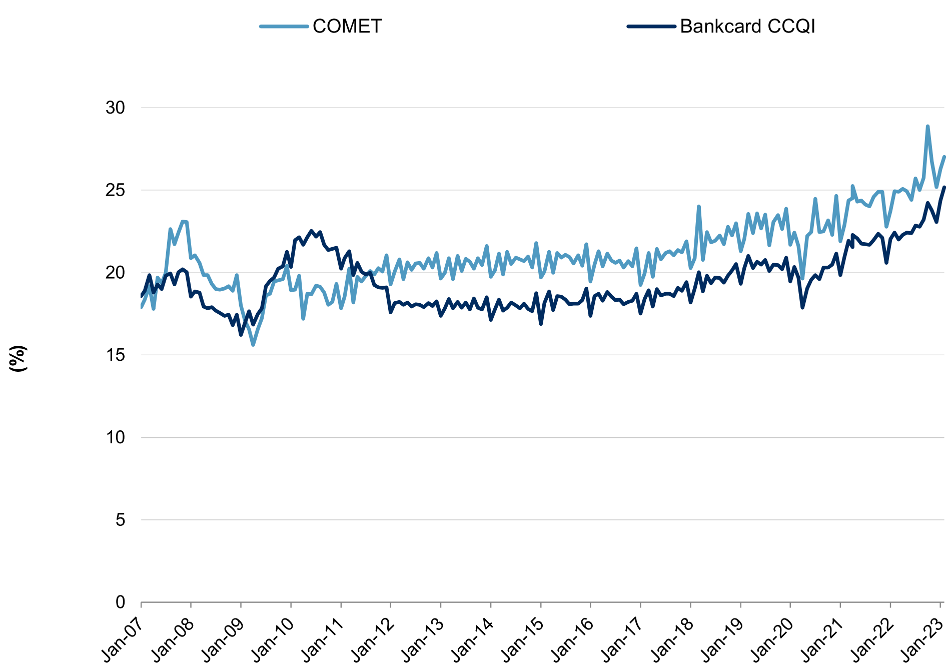
COMET--Capital One Multi-Asset Execution Trust.

Yield

Our base-case yield assumption for the pool is 18.00%. This pool's receivables have generally produced yields that are slightly higher than our CCQI (see chart 2 below). In cash flows at the 'AAA' rating level for bank credit card pools, we generally assume yield will be compressed in the 10.00%-13.00% range by the time a trust enters rapid amortization. For this trust, our stress assumption of 11.00% at the 'AAA' rating level is 61.11% of our base-case assumption of 18.00%.

Chart 2

Annualized yield



COMET--Capital One Multi-Asset Execution Trust.

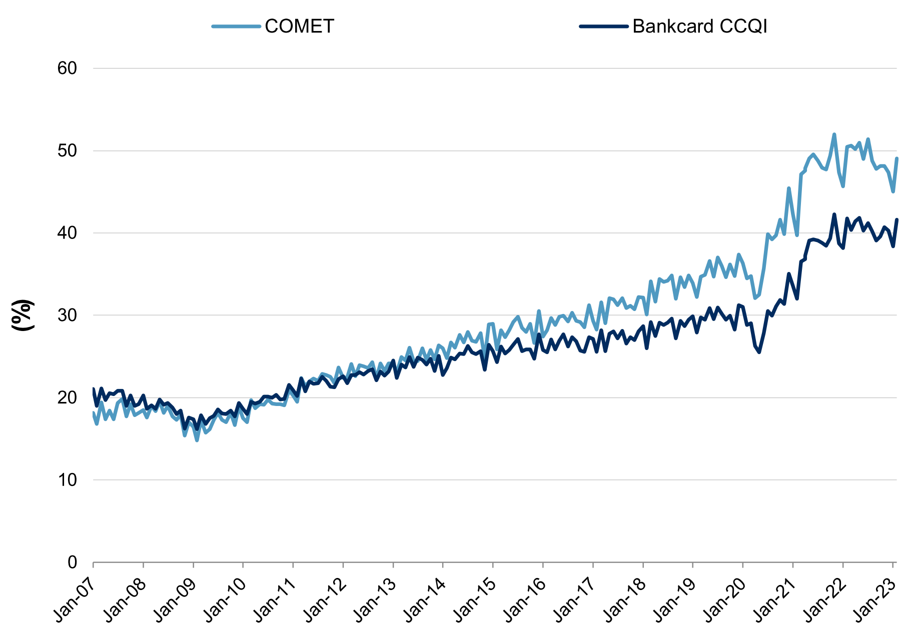
The smaller haircut for this trust (relative to our example of haircut ranges listed in our criteria) reflects our assumption that, due to high credit quality, seasoned cardholders are more likely to experience smaller increases in delinquencies than nonprime accounts in a downturn. This results in less volatility in stressed yield than pools that include a high portion of nonprime accounts. In addition, we also consider the effect legislation or regulatory actions could have on interest rates, fees, and competitive pressures, which could result in a yield in the 10.00%-13.00% range.

Payment Rate

Our base-case total payment rate assumption for the pool is 20%. During the last three years, the payment rate has ranged from 45% to 50%, significantly outpacing the bankcard CCQI (chart 3 below). We considered the pool's performance against our index, as well as the collateral composition, among other factors in our base-case assumption.

Chart 3

Monthly payment rate



COMET--Capital One Multi-Asset Execution Trust.

Approximately one-third of the receivables in the pool are generated from convenience users who pay down their balances each month. Convenience usage is typically tied to rewards programs, which attract obligors who charge their cards to receive rewards, such as cash or airline miles, and then pay the outstanding balance in full each month. Although the portfolio's payment rate has steadily increased, our stress scenarios assume that the number of convenience users in the pool declines before the amortization period's first month and that the portion of revolvers increases. Therefore, our 20.0% base-case assumption is well below recent payment rates. Our 'AAA' stressed payment rate assumption for the trust is 9.5%, which is 47.5% of our base-case assumption.

Purchase Rate

We assume a purchase rate of 2.00% in our 'AAA (sf)' rating scenario. Our purchase rate assumption accounts for our credit rating on the originator relative to the rating we assigned to the notes, the originator's ability to continue generating and transferring receivables to the master trust, and the originated receivables' credit characteristics.

For COMET, our purchase rate assumptions consider the issuer credit rating assigned to Capital One (BBB+/Stable/A-2), the originator. We believe Capital One has proven it can consistently originate, manage, and service accounts and receivables throughout economic and business cycles.

Dilution Analysis

Under the transaction's terms, the minimum seller's interest will equal at least 5.00% of the invested amount to cover noncash reductions in the principal receivables balance. In our analysis, we reviewed the trust's available historical monthly fraud and return data, as well as peer data. Based upon the available data, we believe that the 5.00% minimum seller's interest will be insufficient in our 'AAA' stress scenario to cover our dilution stress of 7.00%. Our 'AAA' stress reflects a 2.00% uncovered dilution, which is captured in our cash flow analysis.

Sensitivity Analysis

Our rating incorporates credit stability as one of several factors that we use to determine an issuer's or an issue's creditworthiness.

Accordingly, we undertook sensitivity analysis assuming the pool's base-case loss rate would increase to our current 'BBB' stressed loss rate assumption. We believe that under a moderate ('BBB') stress scenario, all else being equal, our preliminary rating will be within the credit stability limits specified by section A.4 of the Appendix of (see "S&P Global Ratings Definitions," published Nov. 10, 2021).

Structural Overview

The notes are part of the card series, in which delinked tranches can be issued as long as certain conditions are met, including sufficient subordination to provide the required credit support. The notes are secured by the series 2002-CC collateral certificate that Capital One Master Trust issued in 2002, which, in turn, is collateralized by revolving credit card accounts owned by Capital One or one of its affiliates.

Allocation And Payment Priority

The issuer allocates available finance charge collections to the card series notes on each distribution date in the priority shown in table 4.

Table 4

Finance charge waterfall

Priority	Payment
1	Accrued and unpaid interest on each tranche of the class A notes.
2	Accrued and unpaid interest on each tranche of the class B notes.
3	Accrued and unpaid interest on each tranche of the class C notes.
4	Due and unpaid servicing fees.
5	Accrued and unpaid interest on each tranche of the class D notes.
6	Treat as available principal collections to cover the card series default amount.
7	Treat as available principal collections to cover the nominal liquidation amount deficit.
8	Deposit into the accumulation reserve account if necessary.

Table 4

Finance charge waterfall (cont.)

Priority	Payment
9	Deposit into the class C reserve account if necessary.
10	Deposit into the class D reserve account if necessary.
11	Any other payments or deposits required for any tranche of notes.
12	Treat as shared excess available finance charge collections to cover finance charge shortfalls for other series, if any.
13	Pay to the transferor.

We generally assume that the servicer fee is paid first in the waterfall because we believe that a replacement servicer or subservicer would likely require its fee to be paid in priority regardless of whether servicing compensation is actually subordinate to payments to the security holders, as stated in many credit card transaction documents. Although servicer fees are subordinated to class C interest in the transaction's finance charge waterfall (which is how they are modeled in our cash flow analysis), the minimum required credit enhancement we look to for each class at the applicable rating category includes servicing fee shortfalls, if any. Therefore, sufficient funds would be available to pay a replacement servicing fee of 2% that is senior in the waterfall if required by a replacement servicer or subservicer.

If an early redemption event occurs, all of the principal collections that the issuer allocates to the card series notes, in addition to the series' finance charge amounts that are available to reimburse charged-off receivables and the subordinated notes' nominal liquidation amount deficits, will be available to make payments subject to the indenture supplement's cash flow provisions in the priority outlined in table 5.

Table 5

Principal waterfall

Priority	Payment
1	Cover interest shortfalls for each tranche of the class A notes until nominal liquidation amount or unused subordinated amount for that tranche equals zero.
2	Cover interest shortfalls for each tranche of the class B notes until nominal liquidation amount or unused subordinated amount for that tranche equals zero.
3	Cover interest shortfalls for each tranche of the class C notes until nominal liquidation amount or unused subordinated amount for that tranche equals zero.
4	Cover class A servicing fee shortfalls for each tranche of senior notes until the nominal liquidation amount or unused subordinated amount for that tranche equals zero.
5	Cover class B servicing fee shortfalls for each tranche of senior notes until the nominal liquidation amount or unused subordinated amount for that tranche equals zero.
6	Cover class C servicing fee shortfalls for each tranche of senior notes until the nominal liquidation amount or unused subordinated amount for that tranche equals zero.
7	Make targeted deposits to the principal funding account for each tranche of the class A notes.
8	Make targeted deposits to the principal funding account for each tranche of the class B notes.
9	Make targeted deposits to the principal funding account for each tranche of the class C notes.
10	Make targeted deposits to the principal funding account for each tranche of the class D notes.
11	Treat as shared excess available principal collections to cover principal shortfalls for other series, if any.

Table 5

Principal waterfall (cont.)

Priority	Payment
12	Deposit into the excess funding account until the required transferor amount and required pool balance are reached and then pay the remainder to the transferor.

Early redemption events are as follows:

- For any month, the three-month average excess spread percentage is less than zero.
- Capital One fails to designate additional credit card receivables to include in the Capital One Master Trust within five business days of the date required.
- An issuer or servicer default occurs that would materially hurt the noteholders.
- Capital One becomes unable to transfer receivables to Capital One Funding LLC, or Capital One Funding LLC becomes unable to transfer receivables to Capital One Master Trust.
- An event of default (see below) occurrs, which accelerates the payment schedule of a tranche of notes.
- A full payment is missed on the scheduled principal payment date of a tranche of notes.
- The issuer becomes an "investment company" according to the Investment Company Act of 1940.
- Capital One or Capital One Funding LLC experiences bankruptcy, insolvency, conservatorship, or receivership.

Events of default include the following:

- The issuer fails to pay interest on any tranche of notes when that interest becomes due and payable for 35 days.
- The issuer fails to pay the stated principal of any tranche of notes on its applicable legal maturity date.
- The issuer is in material performance default or breaches any of its covenants or warranties, which continue unremedied for 60 days.
- The issuer becomes bankrupt or insolvent.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities , Dec. 22, 2020
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria , May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions , March 8, 2019

- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions , Jan. 30, 2019
- Criteria | Structured Finance | ABS: U.S. Credit Card Securitizations: Methodology And Assumptions , Aug. 24, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions , Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts , May 31, 2012
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment , May 28, 2009

Related Research

- U.S. And Canada Credit Cards ABS Review, Feb. 23, 2023
- Global Structured Finance 2023 Outlook, Jan. 11, 2023
- Economic Outlook U.S. Q1 2023: Tipping Toward Recession, Nov. 28, 2022
- S&P Global Ratings Expects The Russia-Ukraine Conflict To Have Limited Direct Impact On Global Structured Finance, March 3, 2022
- Global Credit Conditions Special Update, Feb. 8, 2022