

CAPITAL ONE FINANCIAL CORP

Form PRE 14A

March 02, 2018

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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☒ Preliminary Proxy Statement ☐ Soliciting Material Under Rule 14a-12

☐ Confidential, For Use of the  
Commission Only (as permitted by  
Rule 14a-6(e)(2))

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

Capital One Financial Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
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- 1) Amount previously paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

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**Notice of Capital One Financial Corporation's**

**2018 Annual Stockholder Meeting**

**Important Notice Regarding the Availability of Proxy Materials for**

**The Stockholder Meeting To Be Held On May 3, 2018**

**The Proxy Statement and Annual Report to Stockholders are available at [www.proxyvote.com](http://www.proxyvote.com)**

The Annual Stockholder Meeting of Capital One Financial Corporation ( "Capital One" or "Company" ) will be held at Capital One's headquarters at 1680 Capital One Drive, McLean, Virginia 22102, on May 3, 2018, at 10:00 a.m. local time.

**Items of Business**

As a stockholder, you will be asked to:

**Elect eleven nominated directors, who are listed in the proxy statement, as directors of Capital One**

**Ratify the Audit Committee's selection of Ernst & Young LLP as independent auditor of Capital One for 2018**

**Approve, on a non-binding advisory basis, Capital One's 2017 Named Executive Officer compensation**

**Ratify the 25% ownership threshold for stockholders to request a special meeting of stockholders**

Stockholders also will transact other business that may properly come before the meeting.

**Record Date**

You may vote if you held shares of Capital One common stock as of the close of business on March 6, 2018 ( "Record Date" ).

**Proxy Voting**

Your vote is important. You may vote your shares via the Internet, by telephone, by mail or in person at the Annual Stockholder Meeting. Please refer to the section "How do I vote?" in the Proxy Statement for detailed voting instructions. If you vote via the Internet, by telephone or in person at the Annual Stockholder Meeting, you do not need to mail in a proxy card.

**Annual Meeting Admission**

## Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form PRE 14A

Due to space limitations, attendance is limited to stockholders and one guest each. Admission to the meeting is on a first-come, first-served basis. Registration begins at 9:00 a.m. local time. A valid government-issued picture identification and proof of stock ownership as of the Record Date must be presented to attend the meeting. If you hold Capital One stock through a broker, bank, trust or other nominee, you must bring a copy of a statement reflecting your stock ownership as of the Record Date. If you plan to attend as the proxy of a stockholder, you must present a legal proxy from your bank, broker, trust or other nominee vote. Cameras, recording devices and other electronic devices are not permitted. If you require special assistance at the meeting because of a disability, please contact the Corporate Secretary at the address below.

We look forward to seeing you at the meeting.

On behalf of the Board of Directors,

John G. Finneran, Jr.

Corporate Secretary

Capital One Financial Corporation

1680 Capital One Drive

McLean, VA 22102

March [ ], 2018

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### **Proxy Summary**

*This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all the information you should consider in voting your shares. Please read the complete proxy statement and our annual report carefully before voting.*

## **Meeting Information**

Date:	Thursday, May 3, 2018
Time:	10:00 a.m. local time
Location:	1680 Capital One Drive, McLean, Virginia, 22102
Record Date:	March 6, 2018

## **How to Vote**

Your vote is important. You may vote your shares via the Internet, by telephone, by mail or in person at the Annual Meeting. Please refer to the section "How do I vote?" on page 104 for detailed voting instructions. If you vote via the Internet, by telephone or in person at the Annual Meeting, you do not need to mail in a proxy card.

### **INTERNET**

Visit [www.proxyvote.com](http://www.proxyvote.com)  
You will need the control number in your notice, proxy card or voting instruction form.

### **TELEPHONE**

Dial toll-free (1-800-690-6903) or the telephone number on your voting instruction form. You will need the control number in your notice,

### **MAIL**

If you received a paper copy of your proxy materials, send your completed and signed proxy card or voting instruction form using the

### **IN PERSON**

By following the instructions below under "Can I attend the Annual Meeting?" on page 103 and requesting a ballot when you arrive.

proxy card or voting  
instruction form.

enclosed postage-paid  
envelope.

On March [ ], 2018, we began sending our stockholders a Notice Regarding the Internet Availability of Proxy Materials.

## Voting Items

### Item 1

#### *Election of Directors*

You are being asked to elect the following eleven candidates for director: Richard D. Fairbank, Aparna Chennapragada, Ann Fritz Hackett, Lewis Hay, III, Benjamin P. Jenkins, III, Peter Thomas Killalea, Pierre E. Leroy, Peter E. Raskind, Mayo A. Shattuck III, Bradford H. Warner and Catherine G. West. Each director nominee is standing for election to hold office until our next annual meeting or until his or her successor is duly elected and qualified. For additional information regarding our director nominees, see *Biographies of Director Nominees* beginning on page 16. For a description of our corporate governance practices, see *Corporate Governance at Capital One* beginning on page 10.

*Our Board of Directors unanimously recommends that you vote **FOR** each of these director nominees.*

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*Corporate Governance Highlights*

<p><b>Board of Directors</b></p>	<p>Ten of our eleven director nominees are independent</p> <p>Board consists of directors with a mix of tenures, including long-standing members who have actively overseen the Company's strategic journey through various business cycles and have a deep knowledge of the Company, relatively new members who bring fresh ideas and perspectives, and others at different points along the tenure continuum</p> <p>Directors reflect a variety of experiences and skills that match the Company's complexity and strategic direction and give the Board the collective capability necessary to oversee the Company's activities</p> <p>All directors attended at least 75% of meetings of the Board and committees on which they served during 2017</p>
<p><b>Board Leadership Structure</b></p>	<p>CEO and founder is the only member of management who serves as a director</p> <p>Active and empowered Lead Independent Director elected annually by independent directors</p> <p>Active and empowered committee chairs, all of whom are independent</p>
<p><b>Board Governance Best Practices</b></p>	<p>Frequent executive sessions of independent directors</p> <p>Annual evaluations of the Board and each of its committees</p> <p>Annual assessments of independent directors</p> <p>Annual assessment and election by the independent directors of the Lead Independent Director</p> <p>Regular discussions regarding Board recruiting, succession and refreshment including desirable director skills and qualifications for the Company's long-term strategic objectives</p> <p>Active engagement in oversight of Company strategy</p> <p>Active risk oversight by the Board and committees</p>



<b>Stockholder Engagement and Stockholder Role in Governance</b>	<p>Oversight of the Company's political activities and contributions conducted by the Governance and Nominating Committee</p> <p>Direct access by the Board to key members of management at the discretion of independent directors; executive sessions regularly include separate meetings with our CFO, General Counsel, Chief Risk Officer, Chief Auditor, Chief Credit Review Officer and Chief Compliance Officer</p> <p>Annual CEO evaluation process led by our Lead Independent Director</p> <p>Regular talent and succession planning discussions regarding the CEO and other key executives</p> <p>Regular meetings with federal regulators</p> <p>Regular outreach and engagement throughout the year with stockholders about Company strategy and performance by our CEO, CFO and Investor Relations team</p> <p>Outreach and engagement with governance representatives of largest stockholders at least two times per year</p> <p>Feedback from investors regularly shared with our Board and its committees to ensure that our Board has insight on investor views</p> <p>Board and Governance and Nominating Committee receive extensive briefings and benchmarking reports on corporate governance practices and emerging corporate governance issues</p> <p>Annual elections of directors</p> <p>Majority voting for directors with resignation policy in uncontested elections</p> <p>Stockholders holding at least 25% of outstanding common stock may request a special meeting</p> <p>Proxy access for stockholders holding 3% of outstanding common stock for 3 years to nominate director candidates</p> <p>No super majority vote provisions for future amendments to Bylaws and Certificate of Incorporation or removing a director from office</p> <p>No stockholder rights plan (commonly referred to as a "poison pill")</p>
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<p><b>Item 2</b></p>	<p><i><b>Ratification of Appointment of Capital One's Independent Auditor</b></i></p> <p>You are being asked to ratify the Audit Committee's appointment of Ernst &amp; Young LLP as our independent auditor for 2018. One or more representatives of Ernst &amp; Young LLP will be present at our Annual Meeting to respond to questions from stockholders. For additional information regarding the Audit Committee's appointment of and the fees paid to Ernst &amp; Young LLP, see Audit Committee Report on page 94 and Ratification of Selection of Independent Auditor on page 96 of this proxy statement.</p> <p><i>Our Board of Directors unanimously recommends that you vote <b>FOR</b> the ratification of the appointment of Ernst &amp; Young LLP as the Company's independent auditor.</i></p>
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<p><b>Item 3</b></p>	<p><i><b>Advisory Approval of Capital One's Named Executive Officer Compensation</b></i></p> <p>You are being asked to approve on an advisory basis the compensation of Capital One's named executive officers. For additional information regarding our executive compensation program and our named executive officer compensation, see Compensation Discussion and Analysis beginning on page 44 of this proxy statement.</p> <p><i>Our Board of Directors unanimously recommends that you vote <b>FOR</b> the advisory approval of our 2017 Named Executive Officer compensation as disclosed in this proxy statement.</i></p>
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Our executive compensation program is designed to attract, retain and motivate leaders who have the ability to foster strong business results and promote our long-term success. We believe our executive compensation program strongly links rewards with both business and individual performance while appropriately balancing risk and ensuring that total compensation rewards performance over multiple time horizons, which aligns our executives' interests with those of our stockholders.

***2017 Company Performance***

In 2017, we advanced our quest to build an enduringly great franchise with the scale, brand, capabilities and infrastructure to succeed as the digital revolution transforms our industry and our society. We made strategic moves to position our businesses for long-term success. We continued to grow and serve customers with ingenuity and humanity. Our digital and technology transformation is accelerating and we delivered solid near-term financial results for stockholders while investing in our future. The table below shows selected Company performance metrics that were considered by the Compensation Committee of the Board of Directors in making its decisions this year. See Year-End Incentive Opportunity beginning on page 52 for more information regarding the Company's 2017 performance.

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Performance Factor	2017 Performance
Revenue	Revenue of \$27.2 billion
Expense management	Pre-provision earnings of \$13.0 billion
Earnings and Earnings per share	Efficiency ratio of 52.1%, or 51.0% net of adjustment <sup>(1)</sup> a significant improvement from 2016
ROA and ROTCE	Net Income of \$2.0 billion
Capital management	Adjusted earnings per share ( <del>EPS</del> ) growth of 7.4% to \$7.74 per common share, fully diluted
Total shareholder return	Return on average assets ( <del>ROA</del> ) of 0.60%
	Return on average common equity of 4.07%
	Return on average tangible common equity ( <del>ROTCE</del> ) of 6.16% <sup>(2)</sup>
	Growth of tangible book value per common share was 4%
	Paid a quarterly common stock dividend of \$.40 per share

Strong revenue, new accounts, and purchase volume growth in the Credit Card business, with net income of \$1.9 billion and average loan growth of 7%

Strong financial and operating results in the Auto business, with new loan originations of \$27.7 billion, and strong earnings growth of 18% in the Commercial Banking business

One-, three- and five-year Total Shareholder Return of 16.3%, 28.2% and 88.4%, respectively  
Net charge-off rate of 2.67%, 4.99% for Domestic Card

Credit performance and underwriting quality

Higher provision for loan losses, primarily driven by the front-loaded costs of strong loan growth, particularly in Domestic Card

Risk management and compliance

Continued progress enhancing the soundness and sustainability of the Company's compliance and risk management programs, including well-managed market and liquidity risk programs

Balance sheet strength

Continued focus on horizontal and vertical profitability and resilience, and accelerated investments in and attention to credit monitoring and forecasting processes

Board and executive governance

Common equity Tier 1 capital ratio of 10.3%, calculated under the Basel Pillar III Standardized Approach, as of December 31, 2017

Open and active Board governance model, including access to management, embrace of effective challenge, and proactive stockholder outreach

Progress toward achievement of long-term strategy

Significant progress on building leading technology capabilities to drive our business

Execution against corporate imperatives

Balanced investments in market opportunities and long-term capabilities, including talent, infrastructure, and process reinvention

Disciplined investments in infrastructure, technology and growth initiatives

Accelerated focus on cloud capabilities, modern software engineering and delivery, and enhanced cybersecurity capabilities

CEO leadership and performance of executive team

Continued building a national bank franchise through expansion of cafés driving efficiency and modernization of our retail branch network

Expanded specialization capabilities in our Commercial Banking business and solidified our position as one of the leading auto lenders in the United States

Successful acquisition of the co-branded credit card portfolio of Cabela's, a strong retailer with an engaged and upmarket customer base

Prudently increased investments to support customers' financial needs while also making disciplined choices to reduce or eliminate non-strategic or uncompetitive products and services

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Performance Factor	2017 Performance
Recruitment and development of world class talent	Strong Net Promoter Scores across all of our consumer lending and retail banking businesses
Associate engagement and retention	Our flagship Mobile Banking application earned J.D. Power award for Highest in Customer Satisfaction among mobile banking applications
Customer advocacy	Continued focus on attracting top talent and welcomed over 10,000 new associates, while maintaining high bar for talent and diversity
Brand	
Corporate reputation and community engagement	Recorded highest-ever associate engagement scores and low voluntary attrition rates
Live our values and champion our culture	Increased focus on enhancing and developing our executive leadership and governance
	Broadened and diversified the executive management team with the talents and experiences that support our growth, investments, risk profile, and culture
	Successfully exceeded our ten-year \$180 billion Public Community Commitment in conjunction with the 2012 acquisition of ING Direct
	Expanded access to free digital tools that help customers save money, avoid unwanted merchant charges, improve their credit



scores, and protect their personal information

- (1) Efficiency ratio is calculated based on total non-interest expense divided by total net revenue for the period and reflects as-reported results in accordance with U.S. Generally Accepted Accounting Principles ( GAAP ). The efficiency ratio net of adjustments and adjusted earnings per share are non-GAAP measures that the Committee reviews as part of its assessment of the Company's performance and reflects adjustments to exclude \$1.8 billion impacts of the 2017 Tax Act (as defined below), \$184 million of restructuring charges, \$130 million from builds in the U.K. Payment Protection Insurance customer refund reserve, and \$117 million of charges related to the Cabela's acquisition. See Exhibit 99.2 to the Form 8-K filed with the SEC on January 23, 2018 for supplemental financial data and corresponding reconciliation of this financial metric to U.S. GAAP. The Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 ( 2017 Tax Act ) was enacted on December 22, 2017.
- (2) ROTCE is a non-GAAP financial measure calculated based on the sum of (i) income from continuing operations, net of tax; (ii) less dividends and undistributed earnings allocated to participating securities; and (iii) less preferred stock dividends, for the period, divided by average tangible common equity. See MD&A Table F-Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures on our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for supplemental financial data and corresponding reconciliation of this financial metric to U.S. GAAP.

### ***Highlights of Our 2017 Compensation Programs***

The Compensation Committee of the Board of Directors believes that our named executive officer compensation programs balance risk and financial results, reward named executive officers for their achievements, promote our overall compensation objectives and encourage appropriate, but not excessive, risk-taking. Our compensation programs are structured to encourage our executives to deliver strong results over the short term while making decisions that create sustained value for our stockholders over the long term. Key features of our 2017 compensation programs include:

**No CEO Cash Salary.** Our CEO does not receive a cash salary and 100% of his compensation is at-risk based on his and the Company's performance.

**Majority Equity-Based Compensation.** 78% of our CEO's total compensation and 80% of all other named executive officer compensation is equity-based.

**All CEO Compensation Deferred for 3 Years.** All CEO compensation is deferred for at least three years.

**Awards Based on Company and Individual Performance.** All named executive officers receive equity-based awards based on Company and individual performance.

**All Equity Awards Contain Performance and Recovery Provisions.** All equity awards contain performance and recovery provisions that are designed to further enhance alignment between pay and performance and to balance risk by: (i) reducing performance share award values at vesting if the Company does not achieve positive Adjusted ROA (Adjusted ROTCE for performance shares granted in 2018); (ii) utilizing performance thresholds to determine the amount of equity delivered

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at the vesting of certain awards; and (iii) containing misconduct and financial statement clawbacks. See Additional Performance Conditions and Recovery Provisions beginning on page 64 for more information about these provisions.

***Components of Our 2017 Compensation Programs***

The CEO's compensation for the 2017 performance year was composed of equity awards designed to provide the CEO with an incentive to focus on long-term performance and the opportunity for a year-end incentive award based on the Compensation Committee's evaluation of the Company's performance and the CEO's contributions to that performance. All of the CEO's compensation is subject to a three-year deferred vesting or payout schedule. See Chief Executive Officer Compensation beginning on page 48 for a description of the compensation paid to our CEO.

NEO compensation for the 2017 performance year was composed of a mix of cash and equity-based compensation consisting of: cash salary and RSU salary, determined at the beginning of the performance year; and cash-settled RSUs and long-term incentive awards, determined following the end of the performance year based on the Compensation Committee's evaluation of Company and individual performance during the past year. The long-term incentive awards granted for the 2017 performance year are equity-based and consisted of performance shares (25% of target compensation) and stock-settled RSUs (25% of target compensation). See NEO Compensation beginning on page 58 for a description of compensation to the named executive officers other than the CEO.

The charts below show the elements of compensation as an approximate percentage of the CEO's and the NEOs' total target compensation.

**2017 CEO Target Compensation****2017 NEO Target Compensation*****2017 CEO Compensation by Performance Year***

Below is a table showing Mr. Fairbank's compensation awards as they are attributable to the performance years indicated. For the years shown in the table, Mr. Fairbank's total target compensation was \$17.5 million. See 2017 CEO Compensation Program beginning on page 49 for additional information regarding Mr. Fairbank's 2017 performance year compensation.

Performance Year	Cash Salary					Total
		Year-End Incentive		Long-Term Incentives		
		Deferred Cash Bonus	Cash- Settled	Stock-Settled RSUs	Performance Shares	Option Awards

RSUs							
2017	\$	\$3,727,500	\$2,485,006	\$	\$8,750,041	\$1,750,018	\$16,712,565
2016	\$	\$2,677,500	\$1,785,080	\$1,750,026	\$8,750,002	\$1,750,003	\$16,712,611
2015	\$	\$2,677,500	\$1,785,014	\$1,750,016	\$8,750,006	\$1,750,000	\$16,712,536

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The table above is presented to show how the Compensation Committee views compensation actions and to which year the compensation awards relate. This table differs substantially from the Summary Compensation Table beginning on page 73 required for this proxy statement and is therefore not a substitute for the information required in that table.

### ***Say on Pay and Response to Stockholder Feedback***

The Compensation Committee and the Board of Directors value the input of our stockholders. At our 2017 Annual Meeting, more than 95% of our stockholders supported Capital One's named executive officer compensation. Additional information regarding our Say on Pay vote can be found under Consideration of 2017 Say on Pay Vote beginning on page 47.

In response to feedback received from our stockholders, the Compensation Committee and the independent members of the Board adopted changes to Capital One's executive compensation program with the goal of simplifying its structure and further aligning our executive compensation practices with best practices and principles:

**Introduced New Performance Share Award Metrics.** Beginning in 2018, the performance shares awarded to the named executive officers will vest on the basis of two new metrics: Growth of Shareholder Value (measured by common dividends + growth of Tangible Book Value per Share) and Adjusted ROTCE, each as defined on page 56 under Performance Share Award Metrics.

**Increased CEO Performance Share Awards.** Beginning in 2018, the Compensation Committee and the independent directors increased the alignment of CEO compensation and Company performance by increasing the percentage of the CEO's target compensation that is comprised of performance shares from 50% to 60% of total target compensation. See Performance Share Award beginning on page 50 for more information.

**Simplified NEO Compensation Program.** In 2018, the compensation program applicable to our NEOs other than our CEO was modified to reduce the number of compensation vehicles, eliminating stock options and cash-settled restricted stock units, and more closely aligning the program vehicles and structure to the programs used by the Company's peers. See 2018 NEO Compensation Program beginning on page 63 for more information.

## **Item 4**

### ***Ratification of 25% Ownership Threshold for Stockholders to Request a Special Meeting of Stockholders***

You will have the opportunity to vote on a management proposal seeking stockholder ratification of the 25% ownership threshold for stockholders to request a special meeting of stockholders. For additional information regarding the proposal, see Ratification of 25% Ownership Threshold for

Stockholders to Request a Special Meeting of Stockholders beginning on page 99.

*Our Board of Directors unanimously recommends a vote FOR the proposal.*

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**Section I - Corporate Governance at Capital One**

**Overview of Corporate Governance at Capital One**

Capital One is dedicated to strong and effective corporate governance that provides our Board of Directors ( Board ) with the appropriate framework to engage in ongoing oversight of the Company s activities. Our Board believes that robust, dynamic corporate governance policies and practices are the foundation of an effective and well-functioning board, and are vital to preserving the trust of our stakeholders, including customers, stockholders, suppliers, associates and the general public.

***Information About Our Corporate Governance Policies and Principles***

The Board has adopted Corporate Governance Guidelines to formalize its governance practices and provide its view of effective governance. Our Corporate Governance Guidelines embody many of our long-standing practices, policies and procedures, which collectively form a corporate governance framework that promotes the long-term interests of our stockholders, promotes responsible decision-making and accountability and fosters a culture that allows our Board and management to pursue Capital One s strategic objectives. To maintain and enhance independent oversight, our Board regularly renews and refreshes its governance policies and practices as changes in corporate strategy, the regulatory environment and financial market conditions occur and in response to investor feedback and engagement.

The Board has also adopted Capital One s Code of Business Conduct and Ethics ( Code of Conduct ), which applies to Capital One s directors, executives and associates, including Capital One s CEO, CFO, Principal Accounting Officer and other persons performing similar functions. The Code of Conduct reflects Capital One s commitment to honesty, fair dealing and integrity and guides the ethical actions and working relationships of Capital One s directors, executives and associates in their interactions with investors, current and potential customers, fellow associates, competitors, governmental entities, the media and other third parties with whom Capital One has contact.

We encourage you to visit the Corporate Governance section of our website at [www.capitalone.com](http://www.capitalone.com). Select About Us, then Investors, to open the section where you can find our:

Corporate Governance Guidelines

Code of Business Conduct and Ethics

Committee Charters

Certificate of Incorporation and Bylaws

## Our Board of Directors

### *Our Perspectives on Board Composition and Refreshment*

In recent years, the investor community has become increasingly focused on the composition of corporate boards and policies and practices that encourage board refreshment. At Capital One, we appreciate that our investors share our passion for cultivating a board that encompasses the optimal mix of experiences, skills, expertise and qualifications to propel us to achieve our long-term strategic objectives.

The Governance and Nominating Committee, under the direction of its Chair, who also currently serves as the Company's Lead Independent Director, assesses the composition of and criteria for membership on the Board and its committees on an ongoing basis. In fulfilling this responsibility, the Governance and Nominating Committee has taken a long-term view and continuously assesses the resiliency of the Board over the next ten to fifteen years in alignment with the Company's strategic direction to determine what actions may be desirable to best position the Board for success. The Governance and Nominating Committee considers a variety of factors, including the Company's long-term strategy, the skills and experiences that directors provide to the Board (including in the context of the Company's strategy), the performance of the Board and the Company, the Board's director retirement policy (as described in the Company's Corporate Governance Guidelines), the Board's view

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**SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE**

that a resilient board should include members across a continuum of tenure, and evolving best practices in the areas of gender and racial diversity and director tenure. Over the last few years, the Governance and Nominating Committee held discussions regarding director recruiting plans on a quarterly basis, and has provided regular updates to the Board on those plans.

As a result of these long-term strategic resiliency assessments, the Governance and Nominating Committee has articulated a set of principles on board composition, which include:

<p><b><i>Board Size</i></b></p>	<p>Consider the appropriate size of the Board in relation to creating active engagement, open discussion and effective challenge of management with the skills and experience for effective oversight of the Company's strategy, performance and risk management</p> <p>Continuously assess the depth of successors available to assume leadership positions for expected and unexpected departures</p>
<p><b><i>Tenure</i></b></p>	<p>Believe that it is critical to have members across a continuum of director tenure in order to ensure the effective oversight of a large financial institution, which must simultaneously embrace innovation and changing market and customer expectations and prudently preserve the safety and soundness of the institution through long-term business and credit cycles</p> <p>Consider average tenure for the full Board, with a preference to have some long-standing members of the Board (who have actively overseen the Company's strategic journey through various business cycles), some relatively new members who bring fresh ideas and perspectives, and the remaining members at different points along the tenure continuum</p>
<p><b><i>Diversity</i></b></p>	<p>Believe having a Board with members who demonstrate a diversity of thought, perspectives, skills, backgrounds and experiences is important to building an effective and resilient board, and as a result, have a goal of identifying candidates that can contribute to that diversity in a variety of ways, including racially and gender diverse candidates</p>

***Board Skills***

Consider the collective set of skills that allows the Board to cover all vectors of effective challenge of management, especially in the areas of business strategy, financial performance, enterprise risk management, cyber risk, technology innovation, and executive talent and leadership

***Industry***

Seek and retain Board members with industry experiences, both banking and technology, that align with our long-term strategy, understanding that such experience is critical to providing effective challenge

***Experience***

Recognize that the financial services industry is complex and understand the importance of having directors who have witnessed the extended nature of banking business and credit cycles and can share the wisdom of those experiences

Engage in a continuous process of identifying and assessing potential director candidates in light of the Board's collective set of skills and future needs

***Evergreen Recruiting***

Recognize that recruiting new directors is not one-dimensional and that effective Board members are those who have certain backgrounds and expertise combined with a broad business acumen; strategic leadership; a commitment to risk management; an understanding of the intricacies of a large, public company; and a dedication to the Company and its stockholders, the Board as a whole, and to the individual members that comprise the Board

***Staged Refreshment***

View refreshment from a long-term perspective, working back from a destination which enables careful refreshment to meet strategic needs while avoiding disruption

Take a planned approach to changes in board membership, considering the timing of new director onboarding relative to planned retirements and departures

Recognize that new directors need time to become familiar with the Company's business model and strategy and become deeply grounded in these matters to be well-positioned to challenge management effectively

Acknowledge that relationships among Board members develop organically over time and recognize the importance of protecting and nurturing the open, values-based culture that the Board enjoys to appropriately oversee and challenge management

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The Board leverages several long-standing practices and processes to support Board refreshment in keeping with the principles articulated above, including:

Annual assessments of the Lead Independent Director. See Annual Assessment of the Lead Independent Director beginning on page 22.

Annual evaluations of the Board and its committees. See Annual Board and Committee Evaluations beginning on page 24.

Annual assessments of individual directors. See Annual Assessment of Director Nominees on page 25.

***Our Director Nominees***

Name	Age	Occupation	Director Since	Independent	Other
					Public Boards
Richard D. Fairbank	67	Chairman, CEO and President, Capital One Financial Corporation	1994	No	0
Aparna Chennapragada	41	Vice President of Product Management, AR & VR, Google	2018		0
Ann Fritz Hackett	64	Partner and Co-Founder, Personal Pathways, LLC	2004		1

Lewis Hay, III	62	Former Chairman, Chief Executive Officer and President, NextEra Energy, Inc.	2003	2
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Benjamin P. Jenkins, III	73	Former Senior Advisor, Managing Director and Vice Chairman for Retail Banking, Morgan Stanley & Co.	2013	0
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Peter Thomas Killalea	50	Owner and President, Aoinle, LLC	2016	1
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Pierre E. Leroy	69	Managing Partner, Aspiture, LLC	2005	0
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Peter E. Raskind	61	Former Owner, JMB Consulting, LLC	2012	0
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Mayo A. Shattuck III	63	Chairman, Exelon Corporation	2003	3
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Bradford H. Warner	66	Former President of Premier and Small Business Banking, Bank of America Corporation	2008	0
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Catherine G. West	58	Former Special Advisor, Promontory Financial Group	2013	0
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Our director nominees have specific experiences that, in the aggregate, meet an articulated set of director skills established by the Governance and Nominating Committee and align with the Company's long-term strategy and operational objectives, including:

<b><i>Strategy</i></b>	Experience setting a long-term corporate vision or direction, developing desirable products and customer segments, assessing geographies in which to operate, and evaluating competitive positioning
<b><i>Digital/Technology</i></b>	Leadership and understanding of technology, digital platforms and new media, cyber risk, and data analytics
<b><i>Retail/Commercial Banking</i></b>	Retail and/or commercial banking industry experience at an executive level
<b><i>Risk Management/Compliance</i></b>	Significant understanding with respect to the identification, assessment and oversight of risk management programs and practices
<b><i>Public Company Senior Executive Management</i></b>	Experience as a chief executive officer or other senior executive at a public company
<b><i>Public Accounting/Financial Reporting</i></b>	Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements

***Financial Services***

Leadership experience as an executive or board member in the financial services industry

***Compensation/Human Resources***

Understanding of the issues involved with executive compensation, succession planning, human resource management, and talent management and development

***Public Company Board Service***

Experience serving as a director on a large public company board

Nine of our director nominees have significant understanding of technology platforms and systems and their associated risks, two have experience with digital consumer product development, six have held senior executive responsibilities at large banks, seven could qualify as audit committee financial experts under the relevant New York Stock Exchange ( NYSE ) standards, and five serve or have served as chief executive officers. Our Board has significant experience in strategy development, risk management and the financial services industry through extensive careers in executive leadership positions and consulting engagements. In addition, a majority of our director nominees have public company board experience.

The Governance and Nominating Committee and the Board regularly review the Board s membership in light of Capital One s business model and strategic goals and objectives, the regulatory environment and financial market conditions, and consider whether the Board continues to possess the skills and experience to oversee the Company in achieving these goals, and may seek additional directors as a result of its considerations.

We believe our director nominees collectively possess the appropriate combination of skills and qualifications, independence, knowledge of Capital One and its industry and business acumen that enables the Board to operate in an engaged and effective manner.

***What We Look For in Director Nominees***

The evaluation and selection of director nominees is a key aspect of the Governance and Nominating Committee s regular evaluation of the composition of and criteria for membership on the Board. When considering director nominees, including incumbent directors eligible for re-election, nominees to fill vacancies on the Board and nominees recommended by stockholders, the Governance and Nominating Committee is focused on the objective of developing a Board composed of directors that meet the criteria set forth below.

***Experience***

The value derived from each nominee s skills, qualifications, experience and ability to impact Capital One s long-term strategic objectives

Strong educational background

Substantial tenure and breadth of experience in leadership capacities

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Business and financial acumen

Understanding of the intricacies of a public company

Experience in risk management

**Personal Characteristics**

High personal and professional ethics, integrity and honesty, good character and judgment

Independence and any actual or perceived conflicts of interest

The ability to be an independent thinker and willingness to provide effective challenge to management

Diversity along a variety of dimensions, including the candidate's professional and personal experience, background, perspective and viewpoint, as well as the candidate's gender, race and ethnicity

**Commitment to the Company**

A willingness to commit the time and energy to satisfy the requirements of board and committee membership, including the ability to attend and participate in Board meetings and committee meetings in which they are a member and the annual meeting of stockholders and be available to management to provide advice and counsel

A willingness to rigorously prepare prior to each meeting and actively participate in the meeting

Possess, or be willing to develop, a broad knowledge of both critical issues affecting the Company and a director's roles and responsibilities

A willingness to comply with Capital One's Director Stock Ownership Requirements, Corporate Governance Guidelines and Code of Conduct

Diversity along multiple dimensions is an important element of the Governance and Nominating Committee's consideration of nominees. While diversity is evaluated in a broad sense based on experience, background and viewpoint, the Governance and Nominating Committee recognizes that Capital One serves diverse communities and customers, and believes that the composition of our Board should appropriately reflect this diversity. Accordingly, the Governance and Nominating Committee also considers other aspects of diversity, including gender, race and ethnicity. The Governance and Nominating Committee is committed to seeking highly qualified women and individuals from minority groups to include in the pool of nominees and has instructed management (and any third-party search firm used by management) to consider these elements accordingly. The Governance and Nominating Committee reviews its effectiveness in balancing these considerations when assessing the composition of the Board.

For new nominees, the Governance and Nominating Committee may also consider the results of the nominee's interviews with directors and/or other members of senior management and any background checks the Governance and Nominating Committee deems appropriate. In 2017, Capital One continued its engagement with Spencer Stuart, a third-party director search firm, to identify and evaluate potential non-incumbent director candidates based on the criteria and principles described above.

When evaluating incumbent directors, the Governance and Nominating Committee also considers the director's performance throughout the year, including the director's attendance, preparation for and participation in Board and committee meetings, the director's annual evaluation, feedback received from fellow Board members, and whether the incumbent director is willing to serve for an additional term.

Capital One's Corporate Governance Guidelines provide that a non-management director shall not be eligible for election to the Board upon reaching the age of 72. The Board may waive this requirement if it deems that it is in the best interests of the Company and its stockholders, and has done so for Mr. Jenkins, as discussed under Election of Directors on page 95.

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***Process for Nominating Directors***

Stockholders may propose nominees for consideration by the Governance and Nominating Committee by submitting the names and other relevant information as required by Capital One's Amended and Restated Bylaws ( "Bylaws" ) and further described in Capital One's Corporate Governance Guidelines, to the Corporate Secretary at Capital One's address set forth in the Notice. Capital One's Corporate Governance Guidelines require the Corporate Secretary to deliver a copy of the submitted information to the Chair of the Governance and Nominating Committee. The Governance and Nominating Committee will consider potential nominees proposed by stockholders on the same basis as it considers other potential nominees.

In addition, an eligible stockholder or group of stockholders may use Capital One's proxy access bylaws to include stockholder-nominated director candidates in the Company's proxy materials for annual meetings of stockholders. Our Bylaws permit up to 20 stockholders owning 3% or more of the Company's outstanding common shares of voting stock continuously for at least three years to nominate and include in the Company's proxy materials director nominees constituting up to two (2) individuals or 20% of the Board (whichever is greater) provided that the stockholder(s) and the nominee(s) satisfy the requirements specified in the Bylaws.

***Director Independence***

Except for our CEO, who is the Company's founder, the Board has affirmatively determined that the other members of our Board are independent under Capital One's Director Independence Standards, which have been adopted by the Board as part of Capital One's Corporate Governance Guidelines. The Board has concluded this based on a thorough assessment of whether each of its non-management members is independent under these standards. These standards reflect the director independence requirements set forth in the listing standards of the NYSE and other applicable legal and regulatory rules, and also describe certain categorical relationships that the Board has determined to be immaterial for purposes of determining director independence. The categorical relationships the Board has deemed immaterial for purposes of determining director independence are: (i) relationships between Capital One and an entity where the director serves solely as non-management director; (ii) transactions between Capital One and a director or a director's immediate family (or their primary business affiliations) that fall below the numerical thresholds in the NYSE listing standards (or do not otherwise preclude independence under those standards), and that are ordinary course, on arm's-length market terms, and, in the case of extensions of credit, followed usual underwriting procedures, contain no other unfavorable features and are in compliance with applicable legal and regulatory rules; and (iii) discretionary contributions to not-for-profit organizations, foundations, or universities in which a director serves as an executive officer that in any of the last three fiscal years do not exceed the greater of \$1 million or 2% of the organization's consolidated gross revenues.

The Board has determined that each of Ms. Chennapragada, Ms. Hackett, Mr. Hay, Mr. Jenkins, Mr. Killalea, Mr. Leroy, Mr. Raskind, Mr. Shattuck, Mr. Warner and Ms. West is independent under these standards. The Board also determined that former director Patrick W. Gross, who retired from the Board on May 4, 2017, was independent under these standards during the period he served on the Board. In making these determinations, the Governance and Nominating Committee and the Board reviewed certain information obtained from non-management directors responses to a questionnaire asking about their relationships with Capital One, and those of their immediate family members and primary business or charitable affiliations and other potential conflicts of interest, as well as certain

information obtained through internal diligence conducted on Capital One's businesses related to transactions, relationships or arrangements between Capital One and a non-management director or their immediate family members, primary business or charitable affiliations. Following this review, the Board determined that the relationships or transactions complied with the Corporate Governance Guidelines and the related NYSE standards.



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**Biographies of Director Nominees**

<p><b><u>Richard D. Fairbank</u></b></p>	<p><b>Capital One Committees:</b></p> <p>None</p>
<p><b><i>Chairman, Chief Executive</i></b></p> <p><b><i>Officer and President, Capital One Financial Corporation</i></b></p>	<p><b>Capital One Companies:</b></p> <p>Capital One Bank (USA), National Association (Chair)</p> <p>Capital One, National Association (Chair)</p>
<p><b>Director Since:</b> 1994</p> <p><b>Age:</b> 67</p>	<p><b>Additional Public Directorships (current):</b></p> <p>None</p>
	<p>Mr. Fairbank is founder, Chairman, and Chief Executive Officer of Capital One Financial Corporation. As an innovator and entrepreneurial leader, Mr. Fairbank has grown Capital One from a start-up to one of the ten largest banks in America and 100 largest companies in the country as ranked by Fortune Magazine. Mr. Fairbank has been the CEO since the Company's Initial Public Offering in November 1994 and has served as the Chairman and CEO since February 1995. He has driven strong organic business growth and executed a series of strategic acquisitions across retail and direct banking, credit cards, auto lending, and technology. Prior to Capital One, Mr. Fairbank</p>

was Vice President and head of the banking practice at Strategic Planning Associates, Inc. (now Mercer, a global consulting subsidiary of Marsh & McLennan Companies). Mr. Fairbank served on MasterCard International's Global Board of Directors from February 2004 until May 2006. Capital One is regularly cited by Fortune Magazine as a Best Place to Work (#17 in 2018) and in 2016 the Company was ranked #1 on InformationWeek's Elite 100.

#### Skills and Qualifications:

Since the founding of the Company, Mr. Fairbank has been responsible for overseeing both the Company's strategic direction as well as management of Capital One's day-to-day operations. Mr. Fairbank has extensive experience in financial services and had led the development, growth, and transformation of the Company's business capabilities, including technology, risk management, brand, customer experience, and talent development and diversity. Mr. Fairbank holds an MBA from the Stanford Graduate School of Business and a bachelor's degree in economics from Stanford University. This combination of experiences and expertise provide Mr. Fairbank the ability to provide strong leadership and insight to the Board of Directors.

#### Capital One Committees:

None

*Aparna*

*Chennapragada*

***Vice President of Product Management, AR & VR, Google***

#### Capital One Companies:

None

#### Additional Public Directorships (current):

None

**Director Since:** 2018  
(new nominee)

**Age:** 41

Ms. Chennapragada, a computer scientist and product executive trained at IIT and MIT, has more than 15 years of experience in leading teams, driving strategy, and developing successful flagship products. Ms. Chennapragada has been Vice President of Product Management at Google, a multinational technology company, since October 2017, where she currently oversees product management for new product areas in augmented reality and virtual reality. Prior to her current role, Ms. Chennapragada was a Senior Director and Technical Assistant to the CEO at Google from May 2016 to September 2017, where she helped drive various company-wide product efforts. She was a Director and Group Product Manager on Google Now from March 2013 to April 2016. From September 2010 to February 2013, Ms. Chennapragada was a Senior Product Manager on Google Search, and from July 2008 to September 2010, Ms. Chennapragada led the development of new algorithmic features for YouTube and Google. Prior to joining Google, Ms. Chennapragada served in various roles at Akamai Technologies, Inc. from September 1999 to June 2008.

#### **Skills and Qualifications:**

Ms. Chennapragada is an accomplished executive and has experience in technology innovation and development, leading change initiatives, product development, strategy, machine learning, and talent management. She brings significant insights on mobile, artificial intelligence, and technology's transformational impact on business and consumers. This combination of skills provides the Board of Directors with valuable insight on these and other matters.

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**Capital One Committees:**

Compensation Committee

Governance and Nominating Committee (Chair)

Risk Committee

**Ann Fritz Hackett**

***Partner and Co-Founder,***

***Personal Pathways, LLC***

***Lead Independent Director***

**Capital One Companies:**

Capital One, National Association

**Additional Public Directorships (current):**

**Director Since:** 2004

**Age:** 64

Fortune Brands Home & Security, Inc.

Ms. Hackett is a partner and co-founder of Personal Pathways, LLC. The company's flagship product is a web-based enterprise collaboration insights platform. Prior to her role at Personal Pathways, she served as the President of Horizon Consulting Group, LLC since founding the company in 1996, providing strategic, organizational and human resources advice to clients worldwide. She has worked with boards of directors, chief executive officers and senior executives to identify strategic opportunities and execute solutions during periods of business and financial challenges and transformation. Prior to Horizon Consulting, Ms. Hackett was Vice President and Partner of a leading national strategy consulting firm where she served

on the Management Committee and, among other strategy consulting assignments, led Human Resources and developed her expertise in managing cultural change, creating performance management processes and a performance-based culture, nurturing leadership talent and planning for executive succession. Ms. Hackett is also a member of the Tapestry Networks Lead Director Network, a select group of lead directors who collaborate on matters regarding board leadership. She also served as a director of Beam, Inc. (formerly Fortune Brands, Inc.) from December 2007 until April 2014.

#### **Skills and Qualifications:**

Ms. Hackett has experience in strategy, technology development, leading change initiatives, talent management and succession planning and in creating performance management processes and performance-based compensation programs. She also has experience in corporate governance and risk matters as a result of her participation with public company boards of directors and related governance committees, non-profit boards and consulting engagements. This combination of skills provides the Board of Directors with valuable insight on these and other matters.

#### **Capital One Committees:**

Compensation Committee

Governance and Nominating Committee

**Lewis Hay, III**

#### **Capital One Companies:**

Capital One, National Association

**Former Chairman,  
Chief**

**Executive Officer and**

**President, NextEra  
Energy,**

**Inc.**

#### **Additional Public Directorships (current):**

Harris Corporation

Anthem, Inc. (formerly WellPoint, Inc.)

**Director Since:** 2003

**Age:** 62

Mr. Hay served in a variety of executive positions at NextEra Energy, Inc. ( NextEra ) (formerly FPL Group, Inc.), including Chief Executive Officer (2001-2012), Chairman (2002-2012) and President (2001-2006). NextEra is one of the nation's leading electricity-related services companies and the largest renewable energy generator in North America. Mr. Hay served as Executive Chairman of NextEra from July 2012 until he retired in December 2013 and as a director of NextEra from June 2001 through December 2013. While at NextEra, he also served as Chief Executive Officer of Florida Power & Light Company from January 2002 to July 2008. He joined NextEra Energy in 1999 as Vice President, Finance and Chief Financial Officer and served as President of NextEra Energy Resources, LLC (formerly FPL Energy, LLC) from March 2000 until December 2001. He currently serves as an Operating Advisor for Clayton, Dubilier & Rice, LLC, a private equity investment firm. Mr. Hay is a former chairman of both the Edison Electric Institute, the association of U.S. shareholder-owned electric companies, and the Institute of Nuclear Power Operations. Mr. Hay also served as Chair of the Electricity Subsector Coordinating Council, an organization that coordinated government and electricity industry cyber security initiatives, as well as on President Obama's Council on Jobs and Competitiveness.

#### **Skills and Qualifications:**

Mr. Hay has extensive knowledge of the complex strategic, operational, management, regulatory, financial and governance issues faced by a large public company. His background in leading finance and accounting, treasury, credit, investor relations, mergers and acquisitions and information systems functions, as well as his understanding of enterprise risk management, executive compensation and public company governance, provides the Board of Directors with valuable insight on these and other matters.

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***Benjamin P.  
Jenkins, III***

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***Former Senior Advisor,  
Managing Director and  
Vice Chairman for Retail  
Banking, Morgan  
Stanley &  
Co.***

**Director Since:** 2013

**Age:** 73

**Capital One Committees:**

Audit Committee

Compensation Committee

Risk Committee

**Capital One Companies:**

Capital One, National Association

**Additional Public Directorships (current):**

None

Mr. Jenkins served as Senior Advisor, Managing Director, and Vice Chairman for Retail Banking at Morgan Stanley & Co., a financial services firm, from January 2009 to January 2011. Prior to that, he had a 38-year career with Wachovia Corporation (now Wells Fargo & Company), a financial services company, where he was Vice Chairman and President of the General Banking Group. He is credited with advancing the profitability of the General Bank through improvements in customer service and the reduction of customer attrition to industry-leading levels. He and his team were instrumental in the integration of the First Union/Wachovia and Wachovia/SouthTrust mergers, and Mr. Jenkins led the successful expansion of Wachovia's banking

network. He also previously served on the boards of Visa USA and Visa International.

### Skills and Qualifications:

Mr. Jenkins' experience in corporate banking, banking operations, investment banking, acquisition integration, and management of customer relationships brings valuable insight to the Board of Directors in overseeing, among other areas, matters critical to Capital One's banking business.

### Capital One Committees:

Compensation Committee

Risk Committee

### Capital One Companies:

Capital One, National Association

### Additional Public Directorships (current):

MongoDB, Inc.

Mr. Killalea has been an advisor to private technology-driven companies since November 2014 and is the Owner and President of Aoinle, LLC, a consulting firm. From May 1998 to November 2014, Mr. Killalea served in various leadership roles at Amazon.com, Inc., most recently as its Vice President of Technology for the Kindle Content Ecosystem from 2008 to November 2014. He served as its Vice President of Infrastructure and Distributed Systems from 2003 to 2008 and prior to that as Chief Information Security Officer and Vice President of Security. He led the infrastructure and distributed systems team, which later became a key part of the Amazon Web Services platform. He also led the product development and engineering teams for the

Peter Thomas Killalea

**Owner and President,  
Aoinle, LLC**

**Director Since:** 2016

**Age:** 50



Kindle Content Ecosystem. Mr. Killalea serves on the editorial board of ACM Queue (Association for Computing Machinery). He has served on the board of MongoDB, Inc. since December 2015. He served on the board of Xoom Corporation (acquired by PayPal Inc.) from March 2015 to November 2015.

#### **Skills and Qualifications:**

Mr. Killalea's product, technology, and security experience in the technology industry, including his experience advising technology companies in various stages of growth and his various leadership roles, including as Chief Information Security Officer, at Amazon.com, Inc., bring valuable insight to the Board of Directors on these and other matters.

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**Pierre E. Leroy**

***Managing Partner,  
Aspiture,***

***LLC***

**Director Since: 2005**

**Age: 69**

**Capital One Committees:**

Audit Committee

Compensation Committee

**Capital One Companies:**

Capital One Bank (USA), National Association

**Additional Public Directorships (current):**

None

Mr. Leroy established an advisory and private equity firm in April 2015, Aspiture, LLC ( Aspiture ), which invests primarily in digital companies offering unique customer solutions. Mr. Leroy served as Executive Chairman from March 2012 and Chief Executive Officer from July 2012 until June 2013 of Vigilant Solutions, Inc. (formerly Vigilant Video, Inc.), an industry-leading pioneer of innovative intelligence solutions that help law enforcement protect officers, families and communities. Mr. Leroy retired in 2005 from Deere & Company as President of both the Worldwide Construction & Forestry Division and the Global Parts Division. Deere & Company is a world leader in providing advanced products and services for agriculture, forestry, construction, lawn and turf care, landscaping and irrigation, and also provides financial services worldwide and manufactures and markets engines used in heavy equipment. During his

professional career with Deere & Company, Mr. Leroy served in a number of positions in Finance, including Treasurer, Vice-President and Treasurer, and Senior Vice-President and Chief Financial Officer. Mr. Leroy also served as a director of United Rentals, Inc. from April 2012 to May 2015, RSC Holdings Inc. and RSC Equipment Rental from May 2008 to April 2012 (when RSC was acquired by United Rentals), and Beam, Inc. (formerly Fortune Brands, Inc.) from September 2003 to February 2012.

#### **Skills and Qualifications:**

Mr. Leroy's experience in capital markets and asset-liability management, and his experience as CEO and Executive Chairman of a digital analytic software company and managing partner of an advisory and consulting business, in addition to his experience in leading and managing large complex international marketing, engineering and manufacturing organizations and serving on other public company boards, provides the Board of Directors with valuable insight on these and other matters.

#### **Capital One Committees:**

Governance and Nominating Committee

Risk Committee (Chair)

#### **Capital One Companies:**

Capital One Bank (USA), National Association

#### **Additional Public Directorships (current):**

None

*Peter E. Raskind*

*Former Owner, JMB  
Consulting, LLC*

**Director Since:** 2012

**Age:** 61

Until its merger with PNC Financial Services Group in December 2008, Mr. Raskind served as Chairman, President and Chief Executive Officer of National City Corporation, one of the largest banks in the United States. Through an extensive banking career, Mr. Raskind has served in a number of leadership roles and held positions of successively greater responsibility in a broad range of consumer and commercial banking disciplines, including cash management services, corporate finance, international banking, corporate trust, retail and small business banking, operations and strategic planning.

Mr. Raskind served as a director of United Community Banks, Inc. from May 2011 to January 2012 and Visa USA and Visa International. He also served on the board of directors of the Consumer Bankers Association, was a member of the Financial Services Roundtable, and served on the executive committee of the National Automated Clearing House Association.

In addition, until 2017, Mr. Raskind was the owner of JMB Consulting, LLC, which he established in February 2009 to provide consulting services to financial services firms and investors. In 2011, he served as Interim Chief Executive Officer of the Cleveland Metropolitan School District, and in 2010, he served as Interim Chief Executive Officer of the Cleveland-Cuyahoga County Port Authority.

#### **Skills and Qualifications:**

Mr. Raskind is experienced in corporate banking, retail banking, wealth management/trust, mortgage, operations, technology, strategy, product management, asset/liability management, risk management and acquisition integration from his extensive career in banking. He provides the Board of Directors with valuable insight on these and other matters.

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<b><u>Mayo A. Shattuck III</u></b>
<b><i>Chairman, Exelon Corporation</i></b>
<b>Director Since:</b> 2003
<b>Age:</b> 63

**Capital One Committees:**

Compensation Committee (Chair)

Governance and Nominating Committee

**Capital One Companies:**

Capital One, National Association

**Additional Public Directorships (current):**

Gap, Inc.

Alarm.com

Exelon Corporation

Mr. Shattuck is Chairman of the Board of Chicago-based Exelon Corporation ( Exelon ), the nation's largest competitive energy provider and commercial nuclear plant operator. From March 2012 through February 2013, he served as Executive Chairman of the Board of Exelon. Prior to joining Exelon, he was Chairman, President and Chief Executive Officer of Constellation Energy Group, a leading supplier of electricity to large commercial and industrial customers, a position he held from 2001 to 2012. Mr. Shattuck was previously at Deutsche Bank, where he served

as Chairman of the Board of Deutsche Banc Alex. Brown and, during his tenure, served as Global Head of Investment Banking and Global Head of Private Banking. From 1997 to 1999, Mr. Shattuck served as Vice Chairman of Bankers Trust Corporation, which merged with Deutsche Bank in 1999. From 1991 to 1997, Mr. Shattuck was President and Chief Operating Officer and a director of Alex. Brown & Sons, a major investment bank, which merged with Bankers Trust in 1997.

Mr. Shattuck is also Vice Chairman of Johns Hopkins Medicine, Trustee of Johns Hopkins University and former Chairman of the Institute of Nuclear Power Operators.

### Skills and Qualifications:

Mr. Shattuck's experience in global corporate finance and lending, corporate strategy, capital markets, risk management, executive compensation and private banking, as well as his experience in leading two large, publicly-held companies and serving on other public company boards, provides the Board of Directors with valuable insight on these and other matters.

### Capital One Committees:

Audit Committee (Chair)

Risk Committee

### Capital One Companies:

Capital One Bank (USA), National Association

### Additional Public Directorships (current):

None

Bradford H. Warner

*Former President of  
Premier*

*and Small Business  
Banking, Bank of America  
Corporation*

Director Since: 2008

Age: 66

Mr. Warner served in a variety of executive positions at BankBoston, FleetBoston and Bank of America from 1975 until his retirement in 2004. These positions included President of Premier and Small Business Banking, Executive Vice President of Personal Financial Services, and Vice Chairman of Regional Bank.

Throughout his banking career, Mr. Warner served in leadership roles for many of the major business lines and functional disciplines that constitute commercial banking, including leadership of retail and branch banking, consumer lending (credit cards, mortgage and home equity), student lending and small business; various corporate banking functions, including community banking and capital markets businesses, such as underwriting, trading and sales of domestic and international fixed income securities, foreign exchange and derivatives; international banking businesses in Asia, northern Latin America and Mexico; and several investment-related businesses, including private banking, asset management and brokerage. He also served on the most senior management policy and governance committees at BankBoston, FleetBoston and Bank of America.

#### **Skills and Qualifications:**

Mr. Warner's experience in a broad range of commercial, consumer, investment and international banking leadership roles, as well as his experience in corporate banking functions, customer relationships, corporate culture change management, enterprise risk management and technology, brings valuable insight to the Board of Directors in overseeing, among other matters, a broad range of matters critical to Capital One's banking business.

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**SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE**

**Catherine G. West**

***Former Special Advisor,  
Promontory Financial  
Group***

**Director Since: 2013**

**Age: 58**

**Capital One Committees:**

Audit Committee

Risk Committee

**Capital One Companies:**

Capital One Bank (USA), National Association

**Additional Public Directorships (current):**

None

Ms. West served as a Special Advisor to Promontory Financial Group, a financial services consulting firm, from May 2013 until her departure in October 2013, and as Managing Director from April 2012 until April 2013. From March 2011 to April 2012, Ms. West was the Associate Director and Chief Operating Officer of the Consumer Financial Protection Bureau (CFPB), a federal agency tasked with regulating U.S. consumer protection with regard to financial services and products, where she led the start-up of the agency's infrastructure. While at the CFPB, Ms. West also played an integral part in implementing a Consumer Response unit designed to solicit views from consumers regarding their experiences with financial institutions and leveraged those views to effect policy change. She was previously the Chief Operating Officer of J.C. Penney from August 2006 to December 2006. From March 2000 to July 2006,



Ms. West was an executive officer at Capital One Financial Corporation where she served in roles that included President of the U.S. Card business and Executive Vice President of U.S. Consumer Operations.

### **Skills and Qualifications:**

Ms. West has a multifaceted background in financial services with more than 25 years of experience in financial services operations, regulatory matters, technology platform conversions, process automation and innovation, and strategy development. She has experience in leveraged buyouts, initial public offerings, and mergers and acquisitions, and has a keen understanding of both business strategy and the regulatory perspective. Ms. West provides the Board with valuable insight on these and other matters.

## **Board Leadership Structure**

Our Board has carefully considered the critical issue of Board leadership in the context of Capital One's specific circumstances, culture, strategic objectives and challenges. The diverse backgrounds and experiences of our directors provide the Board with broad perspectives from which to determine the leadership structure best suited for Capital One and the long-term interests of Capital One's stockholders and other stakeholders.

We believe that our existing Board leadership structure, with Mr. Fairbank acting as CEO and Chairman of the Board, provides the most effective governance framework and allows our Company to benefit from Mr. Fairbank's talent, knowledge and leadership as the founder of Capital One and allows him to use the in-depth focus and perspective gained in running the Company to effectively and efficiently guide our Board. Capital One appropriately maintains strong independent and effective oversight of our business and affairs through our empowered Lead Independent Director; all-independent Board committees with independent chairs that oversee the Company's operations, risks, performance and business strategy; experienced and committed directors; and frequent executive sessions without management (including Mr. Fairbank) in attendance.

### ***Lead Independent Director***

Our Board believes that an active, empowered Lead Independent Director is key to providing strong, independent leadership for the Board. The Lead Independent Director position, elected annually by the independent directors upon the recommendation of the Governance and Nominating Committee, is a critical aspect of our corporate governance framework.

The Lead Independent Director's responsibilities include:

### **Board Culture**

Serves as liaison between the Chairman of the Board and the independent directors

Facilitates discussion among the independent directors on key issues and concerns outside of Board meetings

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Ensures Board discussions demonstrate effective challenge of management

Facilitates teamwork and communication among the independent directors

Fosters an environment that allows for engagement and commitment of Board members

**Board Leadership**

Organizes and presides over executive sessions

Sets the agendas for and leads executive sessions

If a crisis occurs, calls together the independent directors to establish Board leadership responsibility

Is responsible for soliciting feedback for and engaging the CEO on executive sessions

Advises the Chairman of the Board on the retention of advisors and consultants who report directly to the Board

Advises the Governance and Nominating Committee and the Chairman of the Board on the membership of Board committees and the selection of committee chairs

Acts as a key advisor to the CEO on a wide variety of Company matters

**Board Performance and Development**

Leads the annual performance assessment of the CEO

Facilitates the Board's engagement with the CEO and CEO succession planning

Leads the Board's annual evaluation and recommendations for improvement, if any

#### **Board Meetings**

Has authority to call meetings of the independent directors

Approves meeting agendas for the Board

Approves information sent to the Board

Approves meeting schedules and works with the Chairman of the Board and committee chairs to assure there is sufficient time for discussion of all agenda items

Presides at all meetings of the Board at which the Chairman of the Board is not present

#### **Stockholder Engagement**

If requested by larger stockholders, the Lead Independent Director ensures that he or she is available for consultation and direct communication

Reviews stockholder communications addressed to the full Board, to the Lead Independent Director, or to the independent directors

In evaluating candidates for Lead Independent Director, the independent directors consider several factors, including each candidate's corporate governance experience, board service and tenure, leadership roles, and ability to meet the necessary time commitment. For an incumbent Lead Independent Director, the independent directors also consider the results of the candidate's annual Lead Independent Director assessment, as described in Annual Assessment of the Lead Independent Director below.

#### ***Annual Assessment of the Lead Independent Director***

To support the independent directors in electing a Lead Independent Director, the Governance and Nominating Committee oversees an annual process to evaluate the effectiveness of the Lead Independent Director. Each

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year the Governance and Nominating Committee designates one independent director as the facilitator, who solicits input and feedback from all directors on the performance and effectiveness of the Lead Independent Director. The facilitator shares the results with the Governance and Nominating Committee and, as appropriate, the Board, without the Lead Independent Director present. The independent directors consider the results of this assessment in the annual election of the Lead Independent Director.

Our Lead Independent Director is currently Ms. Hackett. As Lead Independent Director, Ms. Hackett has a strong record of active engagement both inside and outside the board room, including regular meetings with both federal regulators and company executives in one-on-one and group settings. Ms. Hackett is also an active member of the Lead Director Network, a select group of lead independent directors from America's most successful companies who share a commitment to improving corporate performance and earning stockholder trust through more effective board leadership. Leveraging her significant experience serving in leadership capacities in a variety of environments, Ms. Hackett has fostered a culture of collaboration, diligence, trust and mutual respect that allows the Board to work effectively to provide the oversight and effective challenge to management. Based on her performance, the independent directors unanimously supported Ms. Hackett's re-election as Lead Independent Director for a one-year term beginning May 2017.

**Key Board Governance Practices**

***2017 Board Meetings and Attendance***

Each of our current directors attended at least 75% of the aggregate number of the meetings of the Board and the committees on which they served during the period the director was on the Board or committee

The Board held 20 meetings

The Board's committees collectively held 31 meetings

All directors then serving attended the Annual Meeting, and Capital One expects all of the director nominees to attend the 2018 Annual Meeting

***Executive Sessions***

Executive sessions of independent directors of the Board are led by the Lead Independent Director and are an important governance practice because they enable the Board to discuss matters, such as strategy, CEO and senior management performance and compensation, succession planning and board effectiveness without management present. Our independent directors meet in executive session without management at least once annually and, in 2017, the independent directors met three times in executive session. During these executive sessions, the independent

directors have complete access to such members of the Company's senior executive management as they may request, including the CEO, CFO, General Counsel, Chief Risk Officer, Chief Auditor, Chief Credit Review Officer and Chief Compliance Officer. The Lead Independent Director and/or any director may request additional executive sessions of non-management or independent directors.

*Directors Are Actively Engaged Outside of Board Meetings*

Engagement outside of Board meetings provides our directors with additional insight into our business and our industry and valuable perspective on the performance of our Company, the Board, our CEO and other members of senior management.

Our committee chairs and Lead Independent Director meet and speak regularly with each other and with both the CEO and members of our management team, usually independently of the CEO.

Our committee chairs and Lead Independent Director conduct pre-meeting reviews of agendas and provide feedback directly to management. After Board meetings, the committee chairs and Lead Independent Director conduct post-meeting debriefs with management to discuss any follow-up items.

Our individual directors have discussions with each other and with our CEO, members of our senior management team and other key associates and with our federal regulators.

**Table of Contents****SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE****Annual Board and Committee Evaluations**

In order to monitor and improve their effectiveness, and to solicit and act upon feedback received, the Board and its committees engage in a formal self-evaluation process. The Board believes that in addition to serving as a tool to evaluate and improve performance, evaluations can serve several other purposes, including the promotion of good governance, integrity of financial reporting, reduction of risk, strengthening of the board-management partnership, and helping set and oversee board expectations of management. In assessing their performance, the Board and its committees take a multi-year perspective to identify and evaluate trends and assure themselves that areas identified for improvement are appropriately and timely addressed. As part of the Board's evaluation process, directors consider various topics related to Board composition, structure, effectiveness and responsibilities and the overall mix of director skills, experience and backgrounds. While the Board and each of its committees conducts a formal evaluation annually, the Board considers its performance and that of its committees continuously throughout the year and shares feedback with management.

To ensure the process stays fresh and continues to generate rich insights, the Board follows a cyclical, programmatic approach to conducting Board and committee evaluations. This approach includes regular, holistic reviews of the evaluation framework, methodology and form. In 2017, the Board and its committees conducted their evaluations using the following process:

<b>Initiation of Process</b>	The Lead Independent Director developed and circulated a list of potential topics to directors for consideration in advance of the Board's evaluation discussion. The Lead Independent Director solicited input from the Corporate Secretary, the Corporate Governance Office, and members of the Board in formulating the questions. Committee chairs followed a similar process for their respective committees.
<b>Discussion</b>	The Lead Independent Director scheduled time with each individual director in advance of the Board evaluation discussion to gather input and feedback and leveraged those discussions to lead the evaluation discussion held during the executive session at the Board's meeting held during the second quarter. Committee chairs led their respective committee discussions during executive session.
<b>Follow-Up</b>	The Lead Independent Director shared a summary of the Board results with management to address any requests or enhancements in practices that may be warranted. Committee chairs reported on their respective evaluations to the full Board.

Topics considered during the 2017 annual evaluations process included:

Setting corporate culture and tone at the top

Lead Independent Director's role

Chairman of the Board's role

Assessment of the CEO's performance

CEO and executive management succession planning

Executive compensation

Company performance

Corporate strategy (both short- and long-term strategic objectives)

Executive talent development

Access to Company executives and associates

Board and committee composition including director skills, background, expertise, and diversity

Oversight of enterprise risk, including the stature of the risk management function and appropriateness of the Company's risk appetites and risk management in light of the scale and complexity of the Company's business

Overall Board governance including quality and quantity of materials and information, conduct of meetings and support for those activities from management



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In future years, the Board and its committees may conduct their annual evaluations in a different manner, such as through surveys, group discussions in executive session, individual director interviews and/or a third-party facilitator.

***Annual Assessment of Director Nominees***

Each year the Chair of the Governance and Nominating Committee conducts an individual director assessment process. This process includes candid, one-on-one discussions between the Governance and Nominating Committee's Chair and each Board member regarding the individual performance and effectiveness of the directors nominated by the Board for re-election by Capital One's stockholders. The Lead Independent Director is also assessed annually through a process facilitated by another independent member of the Board. See Annual Assessment of the Lead Independent Director beginning on page 22 for a description of that process.

<b>Solicitation</b>	<p>The Governance and Nominating Committee Chair meets with Board members in separate, one-on-one sessions to solicit feedback on the other directors' individual strengths and contributions in areas such as meeting preparation, knowledge of company business and strategy, personal knowledge and subject-matter expertise, corporate culture, ethics and candor.</p>
<b>Evaluation</b>	<p>The Governance and Nominating Committee Chair synthesizes the feedback and reports the results to the Governance and Nominating Committee, the Chairman of the Board and the Board, as appropriate. Each director leaves the room during the discussion of his or her assessment and candidacy.</p> <p>The Governance and Nominating Committee also reviews other considerations such as related person transactions, conflicts of interest and independence.</p>
<b>Nomination</b>	<p>The Governance and Nominating Committee recommends director candidates for nomination to the Board, and the Board nominates one or more directors to stand for</p>

	re-election by Capital One's stockholders.
Follow-Up	The Governance and Nominating Committee's Chair shares input and feedback from the assessments with the individual directors.

#### *Annual Performance Assessment of the CEO*

Under the direction of our Lead Independent Director, the independent directors of the Board annually assess the performance of Mr. Fairbank as Capital One's CEO. The Governance and Nominating Committee is responsible for developing and overseeing the process, facilitated by the Lead Independent Director and involving all directors, for conducting the CEO's annual performance evaluation. This process includes an in-depth discussion of performance by the independent directors in executive session during which directors consider a variety of factors to evaluate Mr. Fairbank's performance. Such factors include financial and operating performance, governance and risk management, strategic performance, setting the cultural tone at the top, and winning with our customers and associates as described in Chief Executive Officer Compensation beginning on page 48 and feedback raised through Board discussion and self-assessment materials provided by Mr. Fairbank to the Board regarding his and the Company's performance and achievements for various subjective and objective metrics.

The annual CEO performance assessment is completed as part of the end-of-year compensation process. The Compensation Committee manages end-of-year compensation decisions within the context of such assessment, and the Lead Independent Director and Chair of the Compensation Committee jointly share the input and feedback of the CEO performance assessment with Mr. Fairbank in a closed session.

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***The Board's Role in Succession Planning***

Under the Corporate Governance Guidelines, the Board is responsible for maintaining a succession plan for the CEO. The Board has in place an effective planning process to select successors to the CEO and annually reviews the CEO succession plan. Our Board believes that the directors and the CEO should work together on succession planning and that the entire Board should be involved. Each year, as part of its succession planning process, our CEO provides the Board with recommendations on, and evaluations of, potential CEO successors. The Board reviews the senior executive team's experience, skills, competencies and potential to assess which executives possess or can develop the attributes that the Board believes are necessary to lead and achieve the Company's goals. Among other steps taken to promote this process throughout the year, the two levels of executives below the CEO, which include the CEO's direct reports, often attend Board meetings and present to the Board, providing the Board with numerous opportunities to interact with our senior management and assess their leadership capabilities.

Our Board also has established steps to address emergency CEO succession planning for an unplanned CEO succession event. Our emergency CEO succession planning is intended to enable our Company to respond to an unexpected CEO transition by continuing our Company's safe and sound operation and minimizing potential disruption or loss of continuity to our Company's operations and strategy. There is also available, on a continuing basis as a result of the process described above, the CEO's recommendation on a successor should the CEO become unexpectedly unable to serve. The Board also reviews annually the CEO's emergency successor recommendations.

***The Board's Role in Risk Oversight***

The Board believes that effective risk management and control processes are critical to Capital One's safety and soundness, our ability to predict and manage the challenges that Capital One and the financial services industry face and, ultimately, Capital One's long-term corporate success.

The enterprise-wide risk management framework defines the Board's appetite for risk taking and enables senior management to understand, manage and report on risk. The risk management framework is implemented enterprise-wide and includes eight risk categories: compliance, credit, legal, liquidity, market, operational, reputational and strategic. Management has developed risk appetite statements with accompanying metrics which are meaningful to the organization and reflect the aggregate level and types of risk Capital One is willing to accept in order to achieve its business objectives, clarifying both risks the Company is actively taking and risks that are purposely avoided.

The Risk Committee is responsible for the oversight of enterprise risk management for the Company, and is responsible for reviewing and recommending to the Board for approval certain risk tolerances taking into account the Company's structure, risk profile, complexity, activities, size, and other appropriate risk-related factors. Within management, enterprise risk management is generally the responsibility of the Chief Risk Officer, who has accountability for proposing risk tolerance and reporting levels related to all eight risk categories. The Chief Risk Officer is also responsible for ensuring that the Company has an overall enterprise risk framework and that it routinely assesses and reports on enterprise level risks. The Chief Risk Officer reports both to the CEO and to the Risk Committee. The Audit Committee also plays an important risk oversight function, and oversees elements of compliance and legal risk. Each committee of the Board oversees reputation risk matters within the scope of their

respective responsibilities. Finally the Board as a whole oversees the entire enterprise risk framework for the Company, including the oversight of strategic risk.

### *The Board's Role in Overseeing Cyber Risk*

As a financial services company entrusted with the safeguarding of sensitive information, our Board believes that a strong enterprise cyber strategy is vital to effective cyber risk management. Accordingly, our Board is actively engaged in the oversight of the Company's cyber risk profile, enterprise cyber strategy implementation and key cyber initiatives. The Risk Committee receives regular updates from management on its cyber event preparedness efforts. The Risk Committee receives regular quarterly reports from the Chief Information Security Officer on the Company's cyber risk profile and cybersecurity program initiatives and meets with the Chief Information Security Officer at least twice annually. The Risk Committee also meets periodically with third-party experts, as appropriate, to evaluate the Company's cybersecurity program. The Risk Committee annually reviews and recommends the Company's information security policy and information security program to the Board for approval. The Risk Committee is also responsible for overseeing cybersecurity and information security risk as

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well as management's actions to identify, assess, mitigate and remediate material issues. At least annually, the Board reviews and discusses the Company's technology strategy with the Chief Information Officer and approves the Company's technology strategic plan.

***Risk Assessment of Compensation Policies and Practices***

The Compensation Committee oversees all of our compensation policies and practices, including our incentive compensation policies and practices, with a view towards ensuring that such policies and practices encourage balanced risk-taking, are compatible with effective controls and risk management and align with our business strategy. Annually, the Compensation Committee reviews and approves the Incentive Compensation Governance Policy which applies to all Company associates and governs incentive compensation decisions. The Incentive Compensation Governance Policy provides the framework for oversight of the design of incentive compensation programs. In setting executive compensation, the Compensation Committee assesses each of the named executive officers against one or more performance objectives specifically designed to evaluate the degree to which the executive balanced risks inherent in his or her role and also implements additional risk-balancing features for certain equity awards, as described in more detail in the Compensation Discussion and Analysis beginning on page 44.

The Compensation Committee reviews the Company's named executive officer and other senior executive compensation programs as well as any other material incentive compensation programs. During these reviews, the Compensation Committee discusses the Company's most significant risks, including the Company's status with respect to managing those risks and the relationship of those risks to compensation programs. The review includes discussion and analysis of risk-balancing features embedded in these incentive compensation programs and other actions taken by the Company designed to appropriately balance risk and achieve conformance with regulatory guidance. The Compensation Committee also discusses these programs with the Company's Chief Risk Officer, Chief Human Resources Officer and the Compensation Committee's independent compensation consultant, as appropriate. Based on these discussions, the Compensation Committee believes these compensation programs are consistent with safety and soundness and operate in a manner that appropriately balances risk.

The Compensation Committee's active oversight, together with the Company's interactions and discussions with its regulators, has further enhanced the Company's risk management and control processes with respect to incentive compensation at the Company and supported our continued compliance with the interagency guidance on sound incentive compensation practices.

**Stockholder Engagement Program**

We value the input and insights of our stockholders and are committed to continued engagement with investors. As a result, we engage in continuous outreach to enable meaningful engagement and report feedback to our Board to help them drive results. In 2017, we engaged in direct outreach and discussions with stockholders representing approximately 60% of our outstanding shares. Key topics of focus included corporate governance matters, company strategy and results, board composition, and executive compensation performance metrics.

**Continuous Outreach.** The CEO, the CFO, and our Investor Relations team meet frequently with stockholders and the investment community regarding our strategy and performance. In addition, members of management, including our Investor Relations, Corporate Governance, and Executive Compensation teams, and frequently our General Counsel, Corporate Secretary and CFO, meet with key governance contacts at our larger stockholders throughout the year.

**Meaningful Engagement.** We engage on company performance and operations, strategic direction, corporate governance, executive compensation, risk and operational oversight and Board leadership, operation and composition, among other matters. Our goal is to engage in a manner characterized by both transparency and respect, fostering collaborative and mutually beneficial discussions. If questions arise that are best addressed through a conversation with our directors, management works with the stockholder to arrange for that conversation. Depending on the topics the investor wishes to discuss, our meetings with stockholders may include our Lead Independent Director, the Chair of the Compensation Committee or the Chair of the Governance and Nominating Committee.

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**Regular Board Reporting.** The Governance and Nominating Committee, Compensation Committee, and the Board request and receive reports from our Investor Relations team and members of management and discuss stockholders' feedback and insights. Our Board and management review and evaluate stockholder input to identify issues and concerns that may require Board action or enhancements to our policies, practices or disclosure.

**Stockholder-Driven Results.** In recent years, in response to stockholder feedback, we have made significant improvements to our corporate governance and executive compensation practices and disclosures:

Introduced new metrics for our performance share program, more closely tying pay to performance, and increased the rigor of relative Company performance governing payouts applicable to performance share awards. See **Performance Share Award** beginning on page 50 for more information.

Provided disclosure in our proxy statement regarding the three core elements of our approach to corporate social responsibility: People, Community, and Environment. See **Environmental, Social and Governance Practices** beginning on page 36 for more information.

Increased alignment of CEO compensation and Company performance by increasing the percentage of the CEO's total target compensation tied to a year-end evaluation of CEO and Company performance from 30% to 40%, providing a more direct link between the CEO's compensation and the Compensation Committee's and independent directors' assessment of such performance. See **Chief Executive Officer Compensation** beginning on page 48 for more information.

Provided greater transparency regarding the Compensation Committee's use of discretion, particularly regarding the year-end incentive awards granted to the named executive officers. See **Use of Discretion** on page 47 for more information.

### ***We Engage Across Many Channels***

#### **Company-Led Engagement**

**Dedicated Investor Relations Department.** Our Investor Relations professionals are dedicated full time to respond to questions from stockholders about the Company, its strategy and performance, and other issues of investor interest.

#### **Stockholder-Led Engagement**

**Voting.** Our stockholders have the opportunity to vote for the election of all of our directors on an annual basis using a majority voting standard, and, through our annual vote on executive compensation, to regularly express their opinion on our compensation programs.

**Formal Outreach Program.** In addition to continuous outreach on a broad set of topics, our formal outreach program includes proactive outreach to our largest stockholders at least twice a year focused on governance, compensation, and related issues. Through our overall formal outreach program, our Board and management gain stockholder insights and provide an opportunity for management to assess stockholder sentiment.

**Quarterly Earnings Conference Calls.** In addition to prepared remarks, our management team participates in a question-and-answer session aimed at allowing stockholders to gain further insight into the Company's financial condition and results of operations.

**Regular Investor Conferences and Road-shows.** Management and our Investor Relations team routinely engages with investors at conferences and other forums. During 2017, management attended 13 investor conferences.

**SEC Filings and Proxy Statement.** All our filings with the SEC are available on our Investor Relations website at [www.capitalone.com](http://www.capitalone.com) (under "About Us," then "Investors").

**Annual Stockholder Meeting.** Our directors are expected to, and do, attend the annual meeting of stockholders, where all of our stockholders are invited to attend, ask questions and express their views.

**Written Correspondence.** Stockholders may write to the Board through the Corporate Secretary at the address provided below.

**Special Meetings.** A stockholder or group of stockholders that hold at least 25% of our outstanding common stock may request a special meeting of stockholders.

**Proxy Access.** A stockholder or group of up to 20 stockholders who have owned at least 3% of the Company's outstanding common shares of voting stock continuously for at least 3 years may nominate and include in the Company's proxy statement a number of director candidates equal to the greater of 2 or 20% of the total Board.



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**Board Committees**

Our Board has four standing committees: Audit, Risk, Governance and Nominating, and Compensation. Each of our committees:

Is led by an active and empowered Committee Chair, each of whom is independent

Is comprised of all independent members

Operates in accordance with a written charter, which is reviewed annually

Assesses its performance annually

Has authority to retain outside advisors, as desired

***Information About Our Current Board Committee Membership and 2017 Committee Meetings***

Director	Governance and			
	Audit	Risk	Nominating	Compensation
Richard D. Fairbank				

Aparna Chennapragada<sup>(1)</sup>

Ann Fritz Hackett
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Lewis Hay, III

Benjamin P. Jenkins, III

Peter Thomas Killalea

Pierre E. Leroy

Peter E. Raskind

Mayo A. Shattuck III

Bradford H. Warner

Catherine G. West

TOTAL MEETINGS HELD IN 2017	14	8	4	5
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Chair	Member
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(1) Ms. Chennapragada was appointed to the Board of Directors on March 1, 2018.

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*Audit Committee*

Committee Members:	Primary Responsibilities:
Bradford H. Warner (Chair) Benjamin P. Jenkins, III	Oversee the qualifications, independence and performance of the Company's independent auditor
Pierre E. Leroy Catherine G. West	Oversee the appointment, compensation, retention and work of the Company's independent auditor
<b>Meetings Held in 2017:</b> 14	Assist our Board with the oversight of the integrity of the Company's financial statements, including matters related to internal controls
	Review and discuss with management their assessment of the effectiveness of the Company's disclosure controls and procedures and whether any changes are necessary in light of such assessment
	Review and discuss generally the policies and practices that govern the processes by which key risk exposures are identified, assessed, managed and controlled on an enterprise-wide basis
	Oversee the Chief Auditor and the internal audit function
	Approve or replace the Chief Auditor, as appropriate, and annually review the performance, independence and compensation of the Chief Auditor

Oversee the compliance by the Company with legal and regulatory requirements

Perform the fiduciary audit committee function on behalf of our bank subsidiaries in accordance with federal banking regulations

Review and recommend to the Board (or disinterested members of the Board, as appropriate) for approval (i) the Company's Code of Business Conduct and Ethics, and any material changes thereto; and (ii) any waiver of the Code of Business Conduct and Ethics for directors and certain executive officers

### Qualifications:

Each member of the Audit Committee is financially literate within the listing standards of the NYSE

No member of the Audit Committee simultaneously serves on the audit committees of more than three public companies, including that of Capital One

The Board has identified Mr. Leroy and Mr. Warner as audit committee financial experts under the applicable SEC rules based on their experience and qualifications, with Mr. Leroy having been identified as such in February 2018

### Risk Committee

### Committee Members:

Peter E. Raskind (Chair)

Ann Fritz Hackett

Benjamin P. Jenkins, III

### Primary Responsibilities:

Assist our Board with oversight of the Company's enterprise-wide risk management framework, including policies established by management to identify, assess, measure and manage key risks facing the Company across all of the Company's eight risk categories: compliance, credit, legal, liquidity, market, operational, reputational and strategic risk

Peter Thomas Killalea

Bradford H. Warner

Catherine G. West

Discuss with management the enterprise's risk appetite and tolerance and, at least annually, recommend to the Board the statement of risk appetite and tolerance to be communicated throughout the Company

**Meetings Held in 2017: 8**

Review and approve annually the credit review plans and policies, and any significant changes to such plans, as appropriate

Review and recommend to the Board the Company's liquidity risk tolerance at least annually, taking into account the Company's capital structure, risk profile, complexity, activities and size, and review management reports regarding the Company's liquidity risk profile and liquidity risk tolerance at least quarterly

Oversee the Company's cyber risk profile, enterprise cyber strategy implementation, and key cyber initiatives

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*Governance and Nominating Committee*

Committee Members:	Primary Responsibilities:
Ann Fritz Hackett (Chair)	Director succession planning and recruitment of new director candidates
Lewis Hay, III	Assist our Board by identifying and recommending nominees for election to our Board and review the qualifications of potential Board members
Peter E. Raskind	
Mayo A. Shattuck III	<p>Annually review and recommend committee membership</p> <p>Lead the Company's corporate governance policies and practices, including recommending to the Board the Corporate Governance Guidelines</p> <p>Oversee the Board and CEO's annual evaluation processes and periodically discuss the plan for the CEO's succession</p> <p>Oversee management's stockholder engagement program and practices</p> <p>Evaluate stockholder proposals and other correspondence</p> <p>Establish and oversee processes for individual director and Board assessments and oversee that committee chairs perform committee evaluations</p>
<b>Meetings Held in 2017: 4</b>	

Keep informed regarding external governance trends, including reviewing benchmarking research conducted by management

**Compensation Committee**

**Committee Members:**

**Primary Responsibilities:**

Mayo A. Shattuck III  
(Chair)

Annually recommend to the Board officers for election or re-election or the manner in which such officers will be chosen

Ann Fritz Hackett

Lewis Hay, III

Benjamin P. Jenkins, III

Evaluate, approve and recommend to the independent directors the CEO's compensation, including any salary, incentive awards, perquisites and termination arrangements, in light of the Committee's assessment of his performance and anticipated contributions with respect to the Company's strategy and objectives

Peter Thomas Killalea

Pierre E. Leroy

Review, approve and recommend the salary levels, incentive awards, perquisites and termination arrangements for executive officers, other than the CEO, to the independent directors and the hiring or promotion of such executive officers to the Board

**Meetings Held in 2017: 5**

Review and approve the Company's goals and objectives relevant to compensation, oversee the Company's policies and programs relating to compensation and benefits available to executive officers with a goal of aligning the policies and programs with such goals and objectives, and review relevant market data relating to compensation and benefits

Oversee incentive compensation programs for executive officers and others who can expose the Company to material risk with a goal that such programs be designed and operated in a manner that achieves balance and is consistent with safety and soundness

Review data and analyses to allow an assessment of whether the design and operation of incentive compensation programs is consistent with the Company's safety and soundness as provided under applicable regulatory guidance



Administer Capital One's 2004 Stock Incentive Plan, 2002 Associate Stock Purchase Plan and other associate benefit plans

Periodically review and recommend director compensation to the Board

Based on a review and discussion with management, recommend the inclusion of the Compensation Discussion and Analysis in our annual proxy statement

The independent directors of the Board may meet concurrently with the Compensation Committee, as appropriate, to review and approve compensation for the CEO and other executive officers.

The Charters of the Audit, Risk, Governance and Nominating, and Compensation Committees are available on our website at [www.capitalone.com](http://www.capitalone.com). Select About Us, then Investors, then Corporate Governance.

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**SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE**

***Compensation Committee Interlocks and Insider Participation***

During 2017, no Capital One executive officer served as a member of the board of directors or the compensation committee of any entity with one or more executive officers serving on our Board or Compensation Committee, nor has any such relationship existed in the past. No director who served on the Compensation Committee during 2017 is or was formerly an officer or an associate of Capital One.

***Compensation Committee Consultant***

The Compensation Committee has the authority to retain and terminate legal counsel and other consultants and to approve such consultants' fees and other retention terms. The Compensation Committee has retained the services of Frederic W. Cook & Co., Inc. ( "FW Cook" ), an independent executive compensation consulting firm. FW Cook reports to the Chair of the Compensation Committee, and its engagement may be terminated by the Compensation Committee at any time.

The Compensation Committee determines the scope and nature of FW Cook's assignments. In 2017, FW Cook performed the following work for the Committee:

Provided independent competitive market data and advice related to the compensation for the CEO and the other executive officers, including the development of a group of comparator companies for competitive analysis

Reviewed management-provided market data and recommendations on the design of compensation programs for senior executives other than the CEO

Reviewed Capital One's executive compensation levels, performance and the design of incentive programs

Reviewed the compensation program for Capital One's directors and provided competitive compensation data and director compensation program recommendations for review

Provided information on executive and director compensation trends and analyses of the implications of such trends for Capital One

Consultants from FW Cook typically attend Compensation Committee meetings and executive sessions of the Compensation Committee upon request of the Compensation Committee Chair, including meetings held jointly with the independent directors to review or approve the compensation for the CEO and the other executive officers and to provide an independent perspective regarding such compensation practices.

The services provided by FW Cook are limited in scope as described above. FW Cook does not provide any services to the Company or its management other than the services provided to the Compensation Committee. The Compensation Committee has considered factors relevant to FW Cook's independence from management under SEC and NYSE rules and has determined that FW Cook is independent from management.

### *Committee Membership Determinations*

Annually, the Governance and Nominating Committee assesses and considers membership for each of the Board's standing committees. This review takes into account, among other factors, committee needs, director experience, committee succession planning and the desire to balance membership continuity with new insights.

The Chair of the Governance and Nominating Committee facilitates discussions with management, committee chairs, the Chairman of the Board, and individual directors, as needed and shares that feedback with the Governance and Nominating Committee. The Governance and Nominating Committee makes recommendations for committee membership and Chairs to the full Board.

## Executive Officers

### *Robert M. Alexander*

*Chief Information Officer*

*Age: 53*

Mr. Alexander joined Capital One in April 1998. From April 1998 to May 2007, Mr. Alexander had responsibility at various times for a number of Capital One's lending businesses, including the U.S. consumer credit card and installment loan businesses. Mr. Alexander became Chief Information Officer in May 2007, and in this role he is responsible for overseeing all technology activities for Capital One.

**Table of Contents****SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE*****Jory A. Berson****Chief Human Resources Officer*

Age: 47

Mr. Berson joined Capital One in July 1992. From July 1992 to June 2009, Mr. Berson held a variety of roles at Capital One, including President, Financial Services and President, U.S. Card. In June 2009, Mr. Berson became Chief Human Resources Officer, and in this role Mr. Berson is responsible for overseeing Capital One's Human Resources strategy, recruitment efforts and development programs.

***R. Scott Blackley****Chief Financial Officer*

Age: 49

Mr. Blackley joined Capital One in March 2011. Mr. Blackley became the Company's CFO in May 2016 and served as the Company's Principal Accounting Officer from July 2011 to May 2017 and Controller from March 2011 to March 2017. Prior to joining the Company, Mr. Blackley held various executive positions at Fannie Mae, most recently as Senior Vice President and Chief Financial Officer of the Capital Markets Group. Mr. Blackley's early career included senior roles in consulting and public accounting, including an appointment to the US Securities and Exchange Commission as a Professional Accounting Fellow and as a Partner with KPMG, LLP.

***Kevin S. Borgmann****Senior Advisor to the CEO*

Age: 46

Mr. Borgmann joined Capital One in August 2001. Since that time he has served in a variety of roles in Capital One's Corporate Strategy, Partnership Finance, Upmarket Acquisitions, Credit Card, Auto Finance and Risk departments, including serving as Senior Vice President with the Credit Card Division from March 2008 until September 2010, President of Capital One Auto Finance from September 2010 until October 2012, Deputy Chief Risk Officer from October 2012 to January 2013, and Chief Risk Officer from January 2013 through January 2018. In February 2018, Mr. Borgmann became Senior Advisor to the Chairman and CEO and executive team, with a focus on strategy, risk management, and executive recruiting matters.

***Matthew W. Cooper****General Counsel*

Age: 46

Mr. Cooper joined Capital One in January 2009. From January 2009 to January 2018, Mr. Cooper held a variety of roles within Capital One's Legal Department, including Chief Counsel, Litigation from January 2009 to February 2014; Chief Counsel, Global Card from July 2012 to January 2017; and Chief Counsel, Legal from January 2016 to February 2018. In February 2018, Mr. Cooper became General Counsel, and in this role Mr. Cooper is responsible for overseeing Capital One's Legal Department and he also manages Capital One's internal audit department for administrative purposes. Prior to joining Capital One, Mr. Cooper served in various executive roles within the legal department of the General Electric Company and one of its successor companies, Genworth Financial.

***John G. Finneran, Jr.***

*Chief Risk Officer and  
Corporate Secretary*

*Age: 68*

Mr. Finneran joined Capital One in September 1994 as General Counsel and Corporate Secretary, responsible for managing Capital One's legal, governmental affairs, corporate governance, regulatory relations and corporate affairs departments, and managed Capital One's internal audit department for administrative purposes. In February 2018, Mr. Finneran became Chief Risk Officer and Corporate Secretary, responsible for overseeing Capital One's credit, compliance, operational, market and liquidity, and enterprise risk management functions, as well as continuing to lead Capital One's corporate governance function.

***Frank G. LaPrade, III***

*Chief Enterprise Services  
Officer and Chief of Staff to  
the CEO*

*Age: 51*

Mr. LaPrade joined Capital One in January 1996. Since that time he has served in various positions, including as Capital One's Deputy General Counsel responsible for managing the company's litigation, employment, intellectual property and transactional practice areas. In 2004, Mr. LaPrade became Chief of Staff to the Chief Executive Officer. In 2010, Mr. LaPrade added responsibilities as Chief Enterprise Services Officer. In that capacity, Mr. LaPrade manages Enterprise Services for Capital One, including Technology, Digital, Design, Growth Ventures, Brand, Enterprise Supplier Management, External Affairs, Workplace Solutions, and Corporate Security.

**Table of Contents****SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE*****Christopher T. Newkirk****President, International and Small Business**Age: 47*

Mr. Newkirk joined Capital One in September 2008, leading U.S. Card Partnership Analytics through January 2010. From February 2010 to June 2013, Mr. Newkirk led U.S. Card Customer Management. From July 2013 to November 2016, Mr. Newkirk led the Company's International Card business, most recently as Executive Vice President and Head of International Card, where he was responsible for all aspects of Capital One's credit card businesses in the United Kingdom and Canada. In November 2016, Mr. Newkirk became President, International and Small Business, where he is responsible for leading Capital One's International credit card businesses and Capital One's small business credit card business in the United States and, beginning in April 2017, small business banking.

***Kleber Santos****President, Retail and Direct Banking**Age: 44*

Mr. Santos joined Capital One in January 2006 as director of Corporate Strategy. From July 2008 to February 2010, he served as head of marketing and analytics for Capital One's Retail and Direct Bank. From August 2014 to March 2017, Mr. Santos served as Executive Vice President of the Consumer Bank. Mr. Santos became president of the Retail and Direct Bank in March 2017, providing strategic direction and leadership for the Retail and Direct Bank organization. Prior to joining Capital One, Mr. Santos' experience includes serving as an engagement manager and U.S. payments expert at McKinsey & Company, where he led a variety of projects for the leading credit card issuers and banks in the U.S. Mr. Santos is second lieutenant of infantry in the Brazilian Army Reserve Forces.

***Michael C. Slocum****President, Commercial Banking**Age: 61*

Mr. Slocum joined Capital One in August 2007. From August 2007 to September 2011, Mr. Slocum was Executive Vice President of Capital One's Banking Business, leading the company's Commercial Banking business including lending, deposit products and capital markets. Mr. Slocum became President, Commercial Banking in September 2011, and in this role he is responsible for leading all aspects of Commercial Banking including Corporate and Commercial Real Estate Banking, Capital Markets, Treasury Services and all related operations. Before joining Capital One, Mr. Slocum served in various leadership roles at Wachovia Bank (now Wells Fargo & Company), a provider of consumer and commercial financial services, including as the Regional Chief Executive Officer for Northeastern US.

***Michael J. Wassmer****President, U.S. Card**Age: 48*

Mr. Wassmer joined Capital One in July 1994. Since that time, Mr. Wassmer has served in roles of increasing responsibility across the Company, expanding his leadership scope and experience driving strategy and analysis, finance, operations and risk management. From 2013 to November 2016, Mr. Wassmer served as Executive Vice President of the Company's U.S. Branded Card business where he was responsible for leading credit, marketing and strategy for the domestic Branded Consumer and Small Business Card businesses. In November 2016, Mr. Wassmer became President, U.S. Card and is currently responsible for leading the Company's consumer credit card business in the United States. In his over 20 years of leadership in the Company's Card business, Mr. Wassmer has been responsible for driving

significant transformation and growth, including the launch and oversight of the Company's flagship consumer and small business products.

***Sanjiv Yajnik***

*President, Financial  
Services*

*Age: 61*

Mr. Yajnik joined Capital One in July 1998. From July 1998 to June 2009, Mr. Yajnik led several businesses within Capital One, including Capital One Europe, Capital One Canada, and Capital One Small Business Services. Mr. Yajnik became President, Financial Services in June 2009. In this role he is responsible for overseeing Capital One's Auto Finance and Home Loans businesses. Prior to joining Capital One, Mr. Yajnik held a broad range of positions, including General Manager at Circuit City Stores (USA), Market Manager at PepsiCo (Canada), and Chief Engineer at Mobil Oil (International).

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**SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE**

**Related Person Transactions**

Our Board has approved a written Related Person Transaction policy, which sets forth policies and procedures for reviewing, and approving or ratifying, transactions with directors, director nominees, executive officers, stockholders holding 5% or more of Capital One's voting securities, or any of their immediate family members or affiliated entities (Related Persons). The policy covers transactions, arrangements and relationships where Capital One is a participant, the aggregate amount of the transaction exceeds \$120,000, and a Related Person has a direct or indirect material interest (Related Person Transactions). Under the policy, Related Person Transactions must be approved or ratified by the Governance and Nominating Committee. The Governance and Nominating Committee will only approve or ratify a Related Person Transaction if, after reviewing all relevant facts and circumstances, it determines the Related Person Transaction is not inconsistent with the best interests of the Company and its stockholders.

In reviewing Related Person Transactions for approval or ratification, the Governance and Nominating Committee will consider all relevant facts and circumstances, which may include: the benefits to the Company resulting from the transaction; the nature and extent of the Related Person's interest in the transaction; whether the transaction would impact a director's independence; whether Capital One's Code of Business Conduct and Ethics would be implicated (including whether the transaction would create a conflict of interest or appearance of a conflict of interest); whether the transaction raises any concerns with respect to reputational risk; the availability of other sources for comparable products or services; and the terms of the transaction and the terms available to unrelated third parties or to Capital One's associates, generally.

The Governance and Nominating Committee has pre-approved the following types of Related Person Transactions as being not inconsistent with the best interests of Capital One and its stockholders. These include transactions involving: director and executive compensation otherwise disclosed in the Company's proxy statement and/or approved by the Compensation Committee or the Board; amounts that are not material and where the relationship arises only from a Related Person being an employee (other than as an executive officer) or a director of, or having immaterial financial holdings in, another entity; and financial services, including loans, extensions of credit, or other financial services and products provided by Capital One to a Related Person that are in the ordinary course, non-preferential, do not involve features unfavorable to the Company, and comply with all applicable laws, rules, and regulations (including the Sarbanes-Oxley Act of 2002 and Regulation O of the Board of Governors of the Federal Reserve, and the Federal Deposit Insurance Corporation Guidelines).

If a matter before the Governance and Nominating Committee involves a member of the Committee, the member must be recused and may not participate in deliberations or vote on the matter. If Capital One learns of a Related Person Transaction that was not pre-approved under the policy, the Committee will consider the options available, including ratification, revision or termination of the transaction.

From time to time in the ordinary course of its business, Capital One issues loans and provides other financial services and products to directors, executive officers and/or nominees for director, or to a director's, executive officer's or director nominee's immediate family member, including persons sharing the household of such director, executive officer or director nominee (other than a tenant or employee). Such loans and other financial services and products are made in the ordinary course of business; are on substantially the same terms, including interest rates and collateral, as



those prevailing at the time for comparable loans and financial services and products with persons not related to the Company; and do not involve more than the normal risk of collectability or present other features unfavorable to the Company.

Matthew W. Cooper is Capital One's General Counsel. Mr. Cooper's brother-in-law is a partner at the international law firm of McGuireWoods LLP ( "McGuireWoods"). Capital One has engaged McGuireWoods from time to time in the ordinary course of business and on an arm's length basis. The relationship between Capital One and McGuireWoods began before Mr. Cooper was employed by Capital One and also pre-dates Mr. Cooper's brother-in-law's association with McGuireWoods. Mr. Cooper's brother-in-law does not work on any Capital One matters and his ownership in the firm is less than 1%. In 2017, Capital One made aggregate payments to McGuireWoods of approximately \$8.6 million for legal services. This relationship was ratified by the Governance and Nominating Committee.

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### **SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE**

#### **Environmental, Social and Governance Practices**

At Capital One, we provide financial solutions to help people succeed and to make life better in the communities in which we operate. Our approach to corporate social responsibility continues to evolve each year, but we remain focused on three core elements: our people, our community, and our environmental footprint.

We are committed to helping our customers, associates, and communities succeed. For more information regarding our environmental, social and governance practices, see [Corporate Social Responsibility](#) located in Capital One's Newsroom on our website at [press.capitalone.com](http://press.capitalone.com).

#### ***Our People***

As part of our Mission, we aim to bring humanity to banking. It is fundamental to every aspect of our business operations and it underscores our commitment to putting people first.

For our customers, our products are innovative, simple to use, and deliver value for individuals of all backgrounds

For our associates, our culture is built on openness, collaboration, and diversity of backgrounds, perspectives, and experiences

For our communities, we use our resources to provide people with opportunities to learn, work, and secure a stronger financial future

Trust is essential to our success, and we place a high bar on making thoughtful business decisions and being transparent in our communications with our customers and stakeholders. We facilitate ongoing dialogue with all of our stakeholders, incorporating their feedback as we evolve our products and services.

#### ***Our Community***

For us, delivering real, lasting change is the result of longstanding commitments and strong community-based partnerships. The programs and partnerships we pursue integrate Capital One's core strengths with the skills, expertise, and experiences of others to maximize our impact. As a financial services company, we will continue our focus on spurring economic growth and creating opportunities for many.

#### ***Our Environmental Footprint***

Our environmental efforts are rooted in our sense of accountability for our actions – both to our stakeholders and society as a whole. We are committed to continuously improving the environmental sustainability of our business, to

reducing the impact of our operations, and to using resources and materials thoughtfully. We continue to engage our associates, customers, suppliers, and other stakeholders in our environmental efforts.

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**SECTION I - CORPORATE GOVERNANCE AT CAPITAL ONE**

**How to Contact Us**

**Our Directors**

**Communicate with our directors, including our Lead Independent Director, Committee Chairs or Independent Directors as a Group**

**Mail correspondence to:**

**Board of Directors / Lead Independent Director**

**c/o Corporate Secretary's Office**

**Capital One Financial Corporation**

**1680 Capital One Drive**

**McLean, Virginia 22102**

**Investor Relations**

**Reach out to our Investor Relations team at any time**

**Email:**

**[Investor.relations@capitalone.com](mailto:Investor.relations@capitalone.com)**

The Corporate Secretary will review all communications sent to the Board, the Lead Independent Director, committee chairs, or individual directors and forwards all substantive communications to the appropriate parties. Communications to the Board, the independent directors or any individual director that relate to Capital One's accounting, internal accounting controls or auditing matters are referred to the Chair of the Audit Committee and Capital One's Chief Auditor. Other communications are referred to the Lead Independent Director. Please continue to share your thoughts or concerns with us. We value your input and your investment.

**Table of Contents****Section II - Security Ownership****Security Ownership of Certain Beneficial Owners**

Based on Schedule 13D and 13G filings submitted to the SEC, Capital One is aware of the following beneficial owners of more than 5% of Capital One's outstanding common stock. All percentage calculations are based on the number of shares of common stock issued and outstanding on December 31, 2017, which was 485,525,340.

Name and Address	Number of Shares of Common Stock Beneficially Owned	Percent of Class
Dodge & Cox <sup>(1)</sup> 555 California Street, 40th Floor San Francisco, CA 94104	43,826,372	9.03%
Capital World Investors <sup>(2)</sup> 333 South Hope Street Los Angeles, CA 90071	38,537,005	7.94%
The Vanguard Group <sup>(3)</sup>	32,904,263	6.78%

100 Vanguard Blvd.

Malvern, PA 19355

BlackRock, Inc. <sup>(4)</sup>

55 East 52nd Street

29,103,230

6.00%

New York, NY 10055

- (1) Based on a Schedule 13G/A (Amendment No. 16) filed on February 13, 2018. As of December 31, 2017, Dodge & Cox reported sole voting power with respect to 41,303,635 shares and sole dispositive power over all shares beneficially owned.
- (2) Based on a Schedule 13G/A (Amendment No. 3) filed on February 14, 2018. As of December 29, 2017, Capital World Investors reported sole voting power and sole dispositive power over all shares beneficially owned.
- (3) Based on a Schedule 13G/A (Amendment No. 3) filed on February 8, 2018. As of December 31, 2017, The Vanguard Group reported sole voting power with respect to 680,859 shares, shared voting power with respect to 112,920 shares, sole dispositive power over 32,128,394 shares and shared dispositive power over 775,869 shares.
- (4) Based on a Schedule 13G/A (Amendment No. 5) filed on January 29, 2018. As of December 31, 2017, BlackRock, Inc. reported sole voting power with respect to 25,109,445 shares and sole dispositive power over all shares beneficially owned.

**Table of Contents****SECTION II - SECURITY OWNERSHIP****Security Ownership of Directors and Named Executive Officers**

The following table lists the beneficial ownership of Capital One's common stock as of February 23, 2018, by our directors, the named executive officers in this proxy statement and all directors and executive officers as a group. All percentage calculations are based on the number of shares of common stock issued and outstanding on February 23, 2018, which was 486,384,982.

Except as otherwise indicated below, each director or executive officer had sole voting and dispositive power for the shares of common stock in the table.

Name	Amount and Nature of Beneficial Ownership Stock that May Be Acquired Within Common and Restricted Stock <sup>(1)</sup> 60 days <sup>(2)</sup>					
	Total		Beneficial		Stock	
	Percent of		Ownership		Settled	
	Class	RSUs <sup>(3)</sup>	Total <sup>(4)</sup>			
Richard D. Fairbank	1.06%	39,528	5,231,640			
R. Scott Blackley	*	44,370	48,537			
Frank G. LaPrade, III	*	38,646	172,281			
John G. Finneran, Jr.	*	37,483	267,822			
	*	29,447	138,647			

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Sanjiv Yajnik	25,009	84,191				
Stephen S. Crawford	12,864	139,032	151,896	*	50,565	202,461
Aparna Chennapragada	0	0	0	*	0	0
Ann Fritz Hackett	20,656	42,361	63,017	*	0	63,017
Lewis Hay, III	2,728	83,107	85,835	*	0	85,835
Benjamin P. Jenkins, III	2,192	12,608	14,800	*	0	14,800
Peter Thomas Killalea	0	5,151	5,151	*	0	5,151
Pierre E. Leroy	0	41,361	41,361	*	0	41,361
Peter E. Raskind	2,000	22,116	24,116	*	0	24,116
Mayo A. Shattuck III	1,589	64,516	66,105	*	0	66,105
			81,754	*	0	81,754
Bradford H. Warner	14,640	67,114				



Catherine G. West	0	12,608	12,608	*	0	12,608
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All directors and executive officers as a group (24 persons)	2,718,933	4,134,700	6,853,633	1.40%	487,839	7,341,472
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\* Less than 1% of the outstanding shares of common stock.

- (1) Includes shares of unvested restricted stock that have voting rights but are not transferable until the end of the period of restriction.
- (2) This amount includes shares underlying stock options that are exercisable within 60 days after February 23, 2018, and restricted stock units for which delivery of the shares of common stock underlying the stock units is deferred until the director's service with the Board, or, for Mr. Fairbank, his employment with the Company, ends.
- (3) Restricted stock units held by our officers and which are settled in an equivalent number of shares of our common stock upon vesting. Represents unvested stock-settled RSUs as of February 23, 2018.
- (4) The amount includes the aggregate total of the Total Beneficial Ownership column and the Stock Settled RSUs column.

**Table of Contents****SECTION II - SECURITY OWNERSHIP**

Some of the shares shown in the preceding table are subject to restrictions or not held directly by the director or executive officer. Below is a table showing the number of shares subject to restrictions or not held directly by the director or executive officer.

Name	Restricted Stock Units For Which Delivery of Stock is Deferred	Stock Held by, or Tenant in Common With, Family Member, Trust or Partnership
Richard D. Fairbank	241,680	0
R. Scott Blackley	0	0
Frank G. LaPrade, III	0	0
John G. Finneran, Jr.	0	0
Sanjiv Yajnik	0	0
Stephen S. Crawford	0	0
	0	0

Aparna Chennapragada		
Ann Fritz Hackett	42,361	5,006
Lewis Hay, III	42,361	1,806
Benjamin P. Jenkins, III	12,608	0
Peter Thomas Killalea	5,151	0
Pierre E. Leroy	41,361	0
Peter E. Raskind	16,192	0
Mayo A. Shattuck III	42,361	0
Bradford H. Warner	35,585	140
Catherine G. West	12,608	0

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended ( Exchange Act ), requires that Capital One s executive officers and directors, and persons that beneficially own more than 10% of Capital One s common stock, file certain reports of beneficial ownership of the common stock and changes in such ownership with the SEC, and provide copies of these reports to Capital One. As a matter of practice, members of our staff assist our executive officers and directors in preparing initial ownership reports and reporting ownership changes and typically file these reports on their behalf. Based solely on our review of the copies of such forms in our possession and written representations furnished to us, we believe that in 2017 each of the reporting persons complied with these filing requirements.

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**Section III - Director Compensation**

**Director Compensation Objectives**

The Board approves the compensation for non-management directors based on recommendations made by the Compensation Committee. The Board has designed the director compensation program to achieve four primary objectives:

Attract and retain talented directors with the skills and capabilities to perpetuate Capital One's success

Fairly compensate directors for the work required in a company of Capital One's size and scope

Recognize the individual roles and responsibilities of the directors

Align directors' interests with the long-term interests of Capital One stockholders

Management directors do not receive compensation for their service on the Board. In 2017, Mr. Fairbank was Capital One's only management director.

**Director Compensation Procedures**

The Compensation Committee annually reviews the compensation program for Capital One's non-management directors. FW Cook provides competitive compensation data and director compensation program recommendations to the Compensation Committee for review. See the discussion under "Compensation Committee Consultant" on page 32 for further information on the role and responsibilities of FW Cook. The competitive compensation data includes the compensation (cash, equity and other benefits) of non-management directors within Capital One's peer comparator group. See the discussion under "Market Data" on page 68 for further information on the selection of the peer comparator group. The Compensation Committee considers this information, and FW Cook's recommendations, and finalizes a proposed director compensation structure. The proposed structure is then reviewed and approved by the full Board, typically in the second quarter of each year.

Based on their review of competitive market data and guidance from FW Cook in the second quarter of 2017, the Compensation Committee determined that the Company's director compensation program meets the objectives listed above.

## Director Compensation Structure

On May 4, 2017, the Board approved a compensation program for Capital One's non-management directors for the period from May 4, 2017 through Capital One's 2018 Annual Meeting that is similar to the program for the preceding year. The compensation program consists of an annual cash retainer of \$90,000 for service on the Board. In addition, directors receive cash retainers for committee service and for service as committee chairs and Lead Independent Director. Based upon the analysis and data provided by FW Cook, the Board increased the committee chair retainers from \$45,000 to \$60,000 for the Risk Committee chair, from \$30,000 to \$45,000 for the Audit Committee chair, and from \$30,000 to \$35,000 for the Compensation Committee and Governance and Nominating Committee chairs, to reflect the scope of responsibilities of the committee chairs and to align with compensation levels within Capital One's peer comparator group. See Compensation of Directors below for details regarding the retainers. In addition, each non-management director serving on May 3, 2017, other than Mr. Gross, received on such date an award of 2,061 restricted stock units of Capital One common stock ( RSUs ) with a grant date fair value of \$170,012 valued at \$82.49 per share. All RSUs were granted under the 2004 Stock Incentive Plan and were valued based on the fair market value of a share of Capital One common stock on the date of grant. The RSUs vest one year from the date of grant and delivery of the underlying shares is deferred until the director's service with the Board ends. Mr. Gross retired from the Board effective May 4, 2017.

**Table of Contents****SECTION III - DIRECTOR COMPENSATION****Compensation of Directors**

Directors of Capital One received the following compensation in 2017:

Director Name	Change in Pension Value and Nonqualified Deferred				Total
	Fees Earned or Stock Paid in Cash <sup>(4)</sup>	Awards <sup>(4)</sup>	Option Awards	Compensation Earnings	All Other Compensation <sup>(5)</sup>
Richard D. Fairbank <sup>(1)</sup>					
Patrick W. Gross <sup>(2)</sup>	\$75,000	\$			\$15,000 \$90,000
Ann Fritz Hackett	\$217,500	\$170,012			\$15,000 \$402,512
Lewis Hay, III	\$135,000	\$170,012			\$10,000 \$315,012
Peter T. Killalea	\$135,000	\$170,012			\$15,000 \$320,012
Benjamin P. Jenkins, III	\$150,000	\$170,012			\$15,000 \$335,012
Pierre E. Leroy	\$135,000	\$170,012			\$15,000 \$320,012
Peter E. Raskind	\$157,500	\$170,012			\$15,000 \$342,512
Mayo A. Shattuck III	\$157,500	\$170,012			\$15,000 \$342,512

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Bradford H. Warner	\$157,500	\$170,012	\$15,000	\$342,512
Catherine G. West	\$135,000	\$170,012	\$15,000	\$320,012

- (1) Management directors do not receive compensation for their service on the Board. In 2017, Mr. Fairbank was Capital One's only management director.
  - (2) Mr. Gross retired from the Board effective May 4, 2017. Amounts shown represent cash payments made during 2017 for the compensation program in effect for the period from May 5, 2016 through Capital One's 2017 Annual Meeting.
  - (3) Represents cash payments made during 2017, which include half of the payments made under the compensation program for the period from May 4, 2017 through Capital One's 2018 Annual Meeting and half of the payments made under the compensation program for the period from May 5, 2016 through Capital One's 2017 Annual Meeting.
  - (4) Represents the grant date fair value of RSUs granted during 2017, calculated in accordance with FASB ASC Topic 718.
  - (5) Each non-management director serving on May 4, 2017 elected to direct contributions from Capital One in an aggregate amount of up to \$15,000 to charitable organization(s) of his or her choice.
- Under the most recently approved director compensation program, retainers are as follows:

Lead Independent Director Retainer: \$50,000

Chair of the Risk Committee: \$60,000

Chair of the Audit Committee: \$45,000

Chair of the Compensation Committee or Governance and Nominating Committee: \$35,000

Member of the Risk Committee (other than the chair): \$30,000

Member of the Audit Committee, Compensation Committee or Governance and Nominating Committee (other than the chair): \$15,000

Member of the Capital One, National Association Trust Committee: \$10,000



In addition, prior to 2013, directors were offered the opportunity to elect to forego their cash retainers for a grant of non-qualified stock options under the 2004 Stock Incentive Plan. The outstanding options expire 10 years from the date of grant. In 2013, the Compensation Committee determined to no longer include stock options as part of the director compensation program. Upon termination from Board service (other than by removal for cause), a director will have the remainder of the full option term to exercise any vested stock options.

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**Table of Contents****SECTION III - DIRECTOR COMPENSATION**

The following table shows the number of RSUs outstanding, including accrued dividend equivalents, and the total number of stock options outstanding for each non-management director as of December 31, 2017:

Director Name	Number of Outstanding	Number of Outstanding
	RSUs	Stock Options
Patrick W. Gross		
Ann Fritz Hackett	42,361	6,361
Lewis Hay, III	42,361	40,746
Peter T. Killalea	5,151	
Benjamin P. Jenkins, III	12,608	
Pierre E. Leroy	41,361	
Peter E. Raskind	16,192	10,425

Mayo A. Shattuck III	42,361	22,155
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Bradford H. Warner	35,585	34,529
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Catherine G. West	12,608	
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### Other Benefits

Under the Capital One Financial Corporation Non-Employee Directors Deferred Compensation Plan, non-management directors may voluntarily defer all or a portion of their cash compensation and receive deferred income benefits. Participants in the plan can direct their individual deferrals among seventeen investments available through the plan. Directors that elected a deferral receive their deferred income benefits in cash when they cease serving as directors, upon certain other distribution events specified in the plan, or at such earlier time as authorized by the Compensation Committee. Upon a change of control, Capital One will pay to each director within 30 days of the change of control a lump sum cash payment equal to such director's account balance as of the date of the change of control.

Capital One offers non-management directors the opportunity to direct a contribution of up to \$10,000 annually from Capital One to charitable organization(s) of their choice. Each non-management director serving on May 4, 2017 elected to make such a charitable contribution in 2017. In addition, all directors serving on May 4, 2017 were eligible, and nine directors elected, to participate in a charitable contribution program available to Capital One associates under which Capital One made a contribution of \$5,000 to a charitable organization of their choice.

Directors also receive reimbursements for certain board-related expenses including external educational seminars and travel-related costs incurred to attend Board meetings. Such reimbursements are not included as compensation for the directors in the table above.

### Stock Ownership Requirements

Capital One requires non-management directors to retain all shares underlying RSUs granted to them by Capital One until their service with the Board ends. The Board may grant an exception for any case where this requirement would impose a financial hardship on a director. No directors have been granted an exception to this requirement for any outstanding awards of RSUs.

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**SECTION IV - COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

Capital One's executive compensation program is designed to attract, retain and motivate leaders who have the ability to foster strong business results and promote the long-term success of the Company. The Compensation Committee of the Board of Directors ( Committee ) is responsible for, among other matters, developing, approving, monitoring and managing the compensation of all of our executive officers, including the named executive officers defined below. Final decisions regarding the compensation of our executive officers, including our CEO, are made by the Committee and the other independent directors. This Compensation Discussion and Analysis will review the compensation of the CEO, Richard D. Fairbank, and the following executive officers for 2017:

R. Scott Blackley, Chief Financial Officer

Frank G. LaPrade, III, Chief Enterprise Services Officer and Chief of Staff to the CEO

John G. Finneran, Jr., Chief Risk Officer and Corporate Secretary (General Counsel and Corporate Secretary through February 1, 2018)

Sanjiv Yajnik, President, Financial Services

Stephen S. Crawford, Senior Advisor to the CEO (Head of Finance and Corporate Development through July 1, 2017)

Except as otherwise indicated, as used throughout this proxy statement, the named executive officers or NEOs means the five executive officers listed above and the CEO, collectively.

**Our Compensation Objectives**

Capital One's executive compensation program has four primary objectives.

*Strongly link rewards with both business and individual performance while appropriately balancing risk*

Capital One emphasizes pay-for-performance at all organizational levels. Typically, as an executive's level of responsibility increases, so does the proportion of the executive's pay that is subject to performance criteria. Therefore, the named executive officers have the highest proportion of their pay directly linked to Company and individual performance, as compared to other associates. Awards made to the named executive officers in February 2018 for the 2017 performance year were based on Company and individual performance, and on demonstrating specific leadership competencies assessed through a comprehensive performance management process that included an individual assessment specifically designed to evaluate the degree to which the executive balanced risks inherent to

his or her role. The Chief Risk Officer compiled these risk assessments and the Chief Human Resources Officer reviewed the assessments for the NEOs. Separately, the Chief Auditor compiled and reviewed the risk assessment for the Chief Risk Officer. The Committee considered the assessments in making its determinations regarding individual performance and compensation levels.

*Ensure that total compensation rewards performance over multiple time horizons*

Our compensation programs are structured to encourage our executives to deliver strong results over the short term while making decisions that create sustained value for our stockholders over the long term. For 2017, approximately 78% of the CEO's total compensation was equity-based and at-risk to the performance of the Company's stock price, and 100% of his compensation was deferred for a three-year period. In addition, approximately 80% of total compensation for NEOs other than the CEO was provided through equity-based vehicles which were at-risk to the performance of the Company's stock price and subject to vesting over multiple time horizons. The use of deferred, equity-based compensation vehicles with multi-year vesting terms advances our goal of aligning the ultimate value realized by the named executive officers with the performance of the Company's stock over time because the value of these compensation vehicles increases and decreases based on the performance of the Company's stock price in both current and future periods.



Table of Contents**SECTION IV - COMPENSATION DISCUSSION AND ANALYSIS***Attract, retain and motivate top executive talent*

To attract, retain and motivate exceptional leaders, we believe that compensation opportunities at Capital One must be competitive with the marketplace for talent. The Committee and the independent directors strive to preserve a competitive pay mix and total target compensation values in the executive compensation program, as well as provide competitive total rewards based on our selected peer group.

*Align our executives' interests with those of our stockholders*

The Committee and the independent directors are committed to designing incentive compensation programs that reward individual and Company performance and that are aligned with the creation of stockholder value over the long term. Because named executive officer compensation is primarily delivered through deferred, equity-based vehicles that vest over multiple time horizons, the named executive officers have a significant stake in the success of the Company. In addition, we have established specific stock ownership policies that the named executive officers must meet and stock retention provisions applicable to certain equity awards.

**Important Aspects of Our Executive Compensation Programs***Highlights of Our 2017 Compensation Programs*

The Committee believes that our named executive officer compensation programs balance risk and financial results, reward named executive officers for their achievements, promote our overall compensation objectives and encourage appropriate, but not excessive, risk-taking. The table below contains highlights of our 2017 compensation program:

**What We Do**

We provide primarily **long-term, equity-based compensation** to our NEOs

**What We Don't Do**

û We do not provide **excise tax gross-up** payments

We provide our CEO with compensation consisting **entirely** of **equity awards** and **deferred payouts**

û We **do not reprice** stock options

We pay our NEOs **equity-based awards** based on Company and individual performance

û We **do not guarantee** incentive awards

We apply **risk balancing** so as not to jeopardize the safety and soundness of Capital One

û We **do not** provide compensation or awards to our NEOs on terms and conditions that are **more favorable** than compensation and awards granted to other executive officers

We apply **performance thresholds** to NEO grants to determine the amount of equity delivered at vesting

û We do not permit our NEOs to engage in **short sales, hedging transactions, or speculative trading** in derivatives of our securities

We reduce performance share award values at vesting if the Company does not achieve **positive Adjusted ROA (for awards granted in 2017)** or **positive Adjusted ROTCE (for awards granted in 2018)**

û We do not permit our NEOs to place their Company securities in a **margin** account or to **pledge** their Company securities as collateral for a loan

We have **clawback** provisions in our award agreements to ensure accountability

û Generally, we do not utilize **employment agreements**, and none of our current NEOs have employment agreements

We require both a change of control event and a termination before we accelerate the vesting of equity awards (**double trigger**)

û We do not pay a **cash salary** to our CEO

We have an **independent** compensation consultant advising the Compensation Committee

We use a mix of **relative and absolute performance** metrics in our incentive awards

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In addition, the awards granted to our named executive officers in 2017 include the following performance and recovery provisions that are designed to further enhance alignment between pay and performance and to balance risks:

<b>Performance- Based Vesting Provisions</b>	<p>We include performance-based vesting provisions as part of each stock option, if any, and stock-settled RSU award to named executive officers and each cash-settled RSU award to the CEO. These provisions will reduce the total value delivered to the executive at vesting if the Company does not meet certain performance thresholds during the three-year vesting period. The total value can be reduced to zero if the performance threshold is not met in any of the three years in the performance period.</p>
<b>Performance Share Reduction</b>	<p>Each performance share award to the named executive officers provides that the total value delivered at vesting will be reduced if for any year in the three-year performance period the Company does not achieve positive Adjusted ROA (as defined on page 65 under <b>Performance Share Reduction</b> ). The total value can be reduced to zero if positive Adjusted ROA is not achieved in all of the three years in the performance period. This reduction can occur regardless of where the Adjusted ROA ranks relative to a comparator group. Beginning with awards granted in 2018, the performance share reduction will be based on the achievement of positive Adjusted ROTCE (as defined on page 65 under <b>Performance Share Reduction</b> ) instead of positive Adjusted ROA.</p>
<b>Misconduct Clawback</b>	<p>Each incentive award to the named executive officers is subject to clawback provisions that allow the Committee to seek recovery of all unvested portions of the awards in the event there has been misconduct resulting in a violation of law or Company policy and the named executive officer committed the misconduct or failed in his or her responsibility to manage or monitor the applicable conduct or risks.</p>

<p><b>Financial</b></p> <p><b>Restatement</b></p> <p><b>Clawback</b></p>	<p>Each performance share award to the named executive officers includes clawback provisions that allow the Company to recover shares under the award following a financial restatement.</p>
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See **Additional Performance Conditions and Recovery Provisions** beginning on page 64 for more details.

All of the terms and features described above, including the performance-based vesting and clawback provisions, apply to awards granted to all executive officers and not just the named executive officers.

### *Use of Discretion*

The Committee believes that exercising discretion is an important element in reaching balanced compensation decisions that are consistent with our strategy and reward both current year performance and sustained long-term value creation, and supplements other aspects of Capital One's pay-for-performance philosophy. By applying discretion, the Committee seeks to mitigate the risks associated with a rigid and strictly formulaic compensation program, which could unintentionally create incentives for our executives to focus only on certain performance metrics, encourage imprudent risk taking, and not provide the best results for stockholders. In addition, the use of discretion allows the Committee to respond to changes in economic conditions, our operating environment, and other significant factors that may affect the long-term performance of Capital One or our lines of business. The use of discretion also allows the Committee to adjust compensation based on factors that would not be appropriately reflected by a strictly formulaic approach, such as risk management, championing company values, and the discrepancies between absolute and relative performance levels or recognition of individual performance levels. There are certain performance conditions for which the Committee would not exercise discretion, for example where the minimum performance metric is not met in the award of performance shares or if the performance-based vesting requirements applicable to certain other stock-settled awards are not met.

### **Consideration of 2017 Say on Pay Vote**

The Committee and the Board value the input of our stockholders and strive to foster a constructive dialogue with stockholders on matters of executive compensation and corporate governance. At our 2017 Annual Meeting, our stockholders supported our executive compensation program with more than 95% of the votes cast in favor of our non-binding advisory vote on executive compensation ( **2017 Say on Pay Vote** ). Though the Committee recognized the 2017 Say on Pay Vote reflected strong support for the Company's executive compensation programs, the Committee remains committed to stockholder engagement. In 2017, we continued to strengthen

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### **SECTION IV - COMPENSATION DISCUSSION AND ANALYSIS**

our outreach to stockholders to ensure that we maintain strong lines of communication with our stockholders and that the perspectives of our stockholders are shared with the Committee and the Board. From this outreach, the Committee and the Board gained valuable insight into our investors' views about the Company, including our executive compensation programs. As a result of the feedback received from investors during 2017, the Committee made the following enhancements to our executive compensation programs and disclosure:

**Introduced New Performance Share Award Metrics.** Beginning in 2018, the performance shares awarded to the named executive officers will vest on the basis of two new metrics: Growth of Shareholder Value and Adjusted ROTCE, each as defined on page 56 under Performance Share Award Metrics. The Committee and the independent directors believe that these two performance metrics, in combination, provide a balanced and rigorous measurement of Company performance by balancing the creation of long-term stockholder value and the returns generated on stockholders investment in the Company.

**Increased CEO Performance Shares.** Beginning in 2018, the Committee and the independent directors increased the alignment of CEO compensation and Company performance by increasing the percentage of the CEO's target compensation that is composed of performance shares from 50% to 60% of total target compensation and eliminating the 10% that was previously granted in the form of stock options. See 2018 CEO Compensation Program beginning on page 55 for more information.

**Simplified NEO Compensation Program.** In 2018, the Committee and the independent directors modified the compensation program applicable to our NEOs, other than our CEO, to reduce the number of compensation vehicles, eliminating stock options and cash-settled restricted stock units (RSUs), and more closely aligning the program vehicles and structure to the programs used by the Company's peers. See 2018 NEO Compensation Program beginning on page 63 for more information.

The Committee continues to actively monitor our stockholder engagement with respect to executive compensation matters and has considered stockholder feedback in approving year-end incentive awards for 2017 and structuring and approving the 2018 compensation programs for the named executive officers.

## **Chief Executive Officer Compensation**

### ***Goals and Principles***

The Committee's top priority is to implement a compensation program that aligns the interests of the CEO with the interests of our stockholders by directly linking his compensation with the Company's performance and his contributions to that performance over appropriate time horizons. The Committee believes that all of the CEO's compensation should be at-risk based on his and the Company's performance. Each year the Committee approves the form, timing and amount of CEO compensation and makes recommendations to the independent directors for final

approval. The Committee considers the CEO's historical performance and seeks to effectively align the CEO's interests with the interests of our stockholders over time, support safety and soundness and appropriately balance risk. The Committee and the independent directors have the flexibility to adjust compensation decisions from year to year to take into account the Company's performance and evolving market practices. For example, over the past five years, the CEO's total performance year compensation has ranged from \$16.7 to \$19.7 million.

### *CEO Compensation Components*

The CEO's compensation for the performance year 2017 was composed of equity awards designed to provide the CEO with an incentive to focus on long-term performance and the opportunity for a year-end incentive award based on the Committee's evaluation of the Company's performance and the CEO's contributions to that performance. The equity awards granted to the CEO in February 2017 consisted of stock options and performance shares. The year-end incentive award granted to the CEO in February 2018 consisted of deferred cash and cash-settled RSUs. All of the CEO's compensation is subject to a three-year deferred vesting or payout schedule. Beginning in performance year 2018, the Committee and the independent directors eliminated stock options from the CEO compensation program such that the equity awards granted to the CEO consisted of only performance shares.

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The chart below shows these elements of CEO compensation as an approximate percentage of the CEO's total target compensation. In 2017, CEO total target compensation was composed of long-term incentives (60%) and a year-end incentive opportunity (40%).

**2017 CEO Target Compensation*****2017 CEO Compensation Program***

The Committee annually reviews and approves the compensation structure of the CEO and makes recommendations to the independent directors for final approval. In February 2017, the Committee and the independent directors reviewed the CEO's compensation structure and determined that for 2017 the compensation program would continue to consist of equity awards granted at the beginning of the year plus an opportunity for a year-end incentive award based on the Company's performance for 2017. In this manner, the CEO's compensation continues to be completely at-risk, aligned with the Company's performance over the appropriate time horizons, and supports the Company's executive compensation goals and principles.

The table below summarizes the CEO compensation program that the Committee and the independent directors approved for the 2017 performance year.

Compensation Element	Timing of Award Determination	Basis for Award	Vesting Schedule	Performance and Recovery Provisions
Base Salary	Not applicable	Not applicable	Not applicable	Not applicable
Stock Options	February 2017	Incentive for future Company performance	3-year cliff vesting; expires in 10 years	Performance-based vesting provisions Misconduct clawback
Performance Shares	February 2017	Incentive for future	Vest at the end of the 3-year performance period; the number of	Performance share reduction Misconduct clawback



		Company performance	shares vesting depends on achievement of performance factors	Financial restatement clawbacks
Year-End Incentive Opportunity	February 2018	Reward for 2017 CEO and Company performance	Delivered as combination of cash-settled RSUs and deferred cash bonus; payout after 3 years	Performance-based vesting provisions (RSUs only)  Misconduct clawback

See Additional Performance Conditions and Recovery Provisions beginning on page 64 for more details regarding the performance and recovery provisions applicable to each of the elements of compensation that the Committee approved for the 2017 performance year for the named executive officers.

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After considering various factors as described below, without giving particular weight to any specific factor, the Committee and the independent directors determined that a total target compensation amount of \$17.5 million was appropriate for Mr. Fairbank's 2017 compensation program. When determining the structure and total target compensation opportunity for Mr. Fairbank's 2017 compensation program, as well as the value for each component of the award, the Committee and the independent directors considered the Company's performance during 2016 and Mr. Fairbank's contribution to that performance relative to the following factors: financial and operating performance, governance and risk management, strategic performance and winning with our customers and associates. In addition, the Committee and the independent directors considered the Company's performance in 2016 relative to the peer comparator companies' performance in 2016, the structure and amount of compensation awarded to the chief executive officers of the peer comparator companies and the structure and amount of Mr. Fairbank's compensation awards in prior years. The Committee and the independent directors also considered the Company's risk profile and the time horizon over which the deferred, equity-based vehicles will vest, as well as the fact that the ultimate value of Mr. Fairbank's deferred, equity-based awards will depend on the Company and Mr. Fairbank's performance over time.

The chart below shows the pay mix of the CEO's actual compensation for the 2017 performance year, including the year-end incentive opportunity which consisted of 60% deferred cash and 40% cash-settled RSUs.

**2017 CEO Pay Mix****Stock Option Award**

In February 2017, Mr. Fairbank received a grant of 81,486 non-statutory stock options at an exercise price of \$86.34 per share (which was the fair market value of the Company's common stock on the date of grant). Any benefits to Mr. Fairbank of the stock options are deferred, as the options cannot be exercised until February 15, 2020 and will expire 10 years after the date of grant. The option grant had a grant date value of \$1,750,018; however, the ultimate value Mr. Fairbank realizes, if any, depends solely on the long-term appreciation in the Company's stock price. Mr. Fairbank can only realize value from the stock options if and to the extent the Company's stock price increases after the date of grant and the market value of the stock exceeds the exercise price at some point after the three-year vesting period when the options are exercised. The stock option award is also subject to performance-based vesting conditions and clawback provisions, each as described in more detail under "Additional Performance Conditions and Recovery Provisions" beginning on page 64. Beginning with performance year 2018, the Committee and the independent directors have determined to replace the portion of Mr. Fairbank's compensation previously granted as stock options with performance shares.

**Performance Share Award**

In February 2017, based on the above determination by the Committee and the independent directors, Mr. Fairbank was granted an award of performance shares under which he may receive from 0% to 150% of a target number of

101,344 shares of the Company's common stock based on the Company's performance over the three-year period from January 1, 2017 through December 31, 2019. The performance shares had a grant date fair value of \$8,750,041.

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The Company's performance will be assessed on the basis of Adjusted ROA relative to a comparator group consisting of companies in the KBW Bank Index, excluding three non-traditional banks that do not focus on lending to consumers and businesses (the KBW Index<sup>1</sup>). The Committee believes that the KBW Index is an appropriate index against which to assess the Company's performance because it reflects institutions of a comparable size and business mix to the Company. In addition, the Committee selected relative Adjusted ROA as the metric to underlie 2017 performance share awards in order to achieve a balance of incentivizing and rewarding management to pursue business strategies that reward stockholders over the long term, while discouraging excessive risk-taking or balance sheet leverage in pursuit of those goals. In response to stockholder feedback, during 2017 and early 2018, the Committee evaluated the use of Adjusted ROA and selected two new performance metrics that will apply to performance share awards granted beginning in 2018: Adjusted ROTCE and Growth of Shareholder Value. See "Performance Share Award Metrics" beginning on page 56 for more information regarding these new metrics.

In 2017, the Committee and the independent directors revised the performance metrics applicable to performance shares granted beginning in 2017, in part in response to stockholder feedback, to require a more rigorous set of relative Company performance hurdles related to the potential payouts made in connection with the awards. Under the revised performance hurdles, the Company's positive Adjusted ROA must be at least at the 25th percentile of peers for any performance shares to vest, target payout will be achieved at the 55th percentile of peers, and the maximum payout can only be achieved if the Company performs at the 80th percentile of peers. If the Company's positive Adjusted ROA is under the 25th percentile, none of the shares will vest and no payout will be made with respect to the award. The graph below represents these new, more rigorous performance hurdles. After the end of the three-year performance period, the Committee will certify the Company's performance and issue the corresponding number of shares of the Company's common stock, if any, in accordance with the graph below. Payouts will range between the values shown below for performance that falls between the points labeled in the graph.

Under the performance share reduction feature applicable to the 2017 performance share awards, the number of shares issued at settlement will be reduced if the Company's Adjusted ROA for one or more fiscal years completed during the three-year performance period is not positive, no matter how well the Company performs compared to the peer group. In any year that the Company does not achieve positive Adjusted ROA, the executive will forfeit 50% of that year's worth of performance shares. If the Company's Adjusted ROA is not positive in each of the three fiscal years in the performance period, the executive will forfeit the entire award of performance shares. The table below shows potential performance share reduction amounts based on the Company's Adjusted ROA performance.

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Number of Years During Performance Period That Adjusted ROA is Not Positive	Reduction in Number of Units Vesting and Shares Awarded
Zero	No reduction
One	One-sixth reduction
Two	One-third reduction
Three	Entire award forfeited

**Year-End Incentive Opportunity**

A portion of Mr. Fairbank's 2017 compensation consisted of an opportunity for a year-end incentive award based on the Company's performance in 2017. The award had a target value of \$7,000,000, but the ultimate value of the award was determined based on the Committee's evaluation of the Company's performance during 2017 and Mr. Fairbank's contributions to that performance relative to the factors shown below related to: financial and operating performance, governance and risk management, strategic performance and winning with our customers and associates. These factors were evaluated on a qualitative and quantitative basis without any specific pre-established targets or weights. The Committee believes that these factors appropriately reflect and balance near term performance and long-term success for the Company's customers, associates and stockholders.

In 2017, Capital One delivered solid financial performance while continuing to make decisions and investments that support the company's long-term strategic agenda. We grew earnings per share, carefully managed expenses, and significantly improved operating efficiency while delivering resilient growth. We had disciplined loan and volume growth in our Credit Card and Auto businesses, and increased earnings in our Commercial Banking business. The Company continued to make transformational investments in talent, capabilities, and technology to create value today and over the long term. In addition, management continued to build risk identification and management capabilities, especially in the areas of cybersecurity, credit monitoring, and capital planning, and is committed to effective, proactive, and sustainable operation of these capabilities. The Committee believes that the actions taken by Mr. Fairbank and the other named executive officers throughout the year contributed greatly to the Company's 2017 results and have advanced the Company toward creating enduring value, sustainable financial performance and the achievement of the Company's strategic goals over the long term. In February 2018, the Committee considered the

Company's performance on both a quantitative and qualitative basis. In particular, the Committee considered:

Performance Factor	2017 Performance
Revenue	Revenue of \$27.2 billion
Expense management	Pre-provision earnings of \$13.0 billion
Earnings and Earnings per share	Efficiency ratio of 52.1%, or 51.0% net of adjustments <sup>(1)</sup> a significant improvement from 2016
ROA and ROTCE	Net Income of \$2.0 billion
Capital management	Adjusted earnings per share (EPS) growth of 7.4% to \$7.74 per common share, fully diluted
Total shareholder return	Return on average assets (ROA) of 0.60%
	Return on average common equity of 4.07%
	Return on average tangible common equity (ROTCE) of 6.16%
	Growth of tangible book value per common share was 4%
	Paid a quarterly common stock dividend of \$.40 per share

Strong revenue, new accounts, and purchase volume growth in the Credit Card business, with net income of \$1.9 billion and average loan growth of 7%

Strong financial and operating results in the Auto business, with new loan originations of \$27.7 billion, and strong earnings growth of 18% in the Commercial Banking business

One-, three- and five-year Total Shareholder Return of 16.3%, 28.2% and 88.4%, respectively

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Performance Factor	2017 Performance
Credit performance and underwriting quality	Net charge-off rate of 2.67%, 4.99% for Domestic Card
Risk management and compliance	Higher provision for loan losses, primarily driven by the front-loaded costs of strong loan growth, particularly in Domestic Card
Balance sheet strength	Continued progress enhancing the soundness and sustainability of the Company's compliance and risk management programs, including well-managed market and liquidity risk programs
Board and executive governance	Continued focus on horizontal and vertical profitability and resilience, and accelerated investments in and attention to credit monitoring and forecasting processes
	Common equity Tier 1 capital ratio of 10.3%, calculated under the Basel Pillar III Standardized Approach, as of December 31, 2017
	Open and active Board governance model, including access to management, embrace of effective challenge, and proactive stockholder outreach
Progress toward achievement of long-term strategy	Significant progress on building leading technology capabilities to drive our business



Execution against corporate imperatives	Balanced investments in market opportunities and long-term capabilities, including talent, infrastructure, and process reinvention
Disciplined investments in infrastructure, technology and growth initiatives	Accelerated focus on cloud capabilities, modern software engineering and delivery, and enhanced cybersecurity capabilities
CEO leadership and performance of executive team	Continued building a national bank franchise through expansion of cafés driving efficiency and modernization of our retail branch network
	Expanded specialization capabilities in our Commercial Banking business and solidified our position as one of the leading auto lenders in the United States
	Successful acquisition of the co-branded credit card portfolio of Cabela's, a strong retailer with an engaged and upmarket customer base
	Prudently increased investments to support customers' financial needs while also making disciplined choices to reduce or eliminate non-strategic or uncompetitive products and services
Recruitment and development of world class talent	Strong Net Promoter Scores across all of our consumer lending and retail banking businesses
Associate engagement and retention	Our flagship Mobile Banking application earned J.D. Power award for Highest in Customer Satisfaction among mobile banking applications
Customer advocacy	Continued focus on attracting top talent and welcomed over 10,000 new associates, while maintaining high bar for talent and diversity
Brand	Recorded highest-ever associate engagement scores and low voluntary attrition rates

Corporate reputation and  
community engagement

Increased focus on enhancing and developing our executive  
leadership and governance

Live our values and  
champion our culture

Broadened and diversified the executive management team with the  
talents and experiences that support our growth, investments, risk  
profile, and culture

Successfully exceeded our ten-year \$180 billion Public Community  
Commitment in conjunction with the 2012 acquisition of ING Direct

Expanded access to free digital tools that help customers save  
money, avoid unwanted merchant charges, improve their credit scores,  
and protect their personal information

- (1) Efficiency ratio is calculated based on total non-interest expense divided by total net revenue for the period and reflects as-reported results in accordance with U.S. Generally Accepted Accounting Principles ( GAAP ). The efficiency ratio net of adjustments and adjusted earnings per share are non-GAAP measures that the Committee reviews as part of its assessment of the Company's performance and reflects adjustments to exclude \$1.8 billion impacts of the 2017 Tax Act (as defined below), \$184 million of restructuring charges, \$130 million from builds in the U.K. Payment Protection Insurance customer refund reserve, and \$117 million of charges related to the Cabela's acquisition. See Exhibit 99.2 to the Form 8-K filed with the SEC on January 23, 2018 for supplemental financial data and corresponding reconciliation of this financial metric to U.S. GAAP. The Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018 ( 2017 Tax Act ) was enacted on December 22, 2017.

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(2) ROTCE is a non-GAAP financial measure calculated based on the sum of (i) income from continuing operations, net of tax; (ii) less dividends and undistributed earnings allocated to participating securities; and (iii) less preferred stock dividends, for the period, divided by average tangible common equity. See MD&A Table F-Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures on our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for supplemental financial data and corresponding reconciliation of this financial metric to U.S. GAAP.

The Committee also took into account peer comparator group CEO compensation levels and structure, including that Mr. Fairbank does not receive a cash salary and 100% of his compensation is deferred for at least 3 years; the tenures of each of the peer companies' CEOs; the varying degrees of success those CEOs have had in leading their respective companies; and Mr. Fairbank's strategic role as the founder of Capital One.

After considering all of the above factors, in February 2018 the Committee and the independent directors approved year-end incentive awards for Mr. Fairbank totaling \$6,212,506. In determining the 2017 year-end incentive awards, the Committee rewarded Mr. Fairbank's leadership in delivering solid financial performance and driving strategies that advanced the Company's ability to deliver enduring growth and value to stockholders over the long term. In addition, the Committee also recognized that the Company and management responded quickly and appropriately to market and regulatory challenges during 2017, and remain focused on continued enhancement of its risk management capabilities and on their effective, proactive, and sustainable operation. The Committee also considered the management challenge in balancing near-term financial results and the investments in growth and technology that will position the Company for long-term success. While growth and investments may dampen short-term returns to stockholders, the Committee and the independent directors believe that the Company continues to strike the right balance between investing for the future and delivering attractive returns over the short, medium and long term.

The Committee and the independent directors determined to award Mr. Fairbank's year-end incentive award using two vehicles: (i) an award of 23,730 RSUs, which had a total grant date value of approximately \$2,485,000, and (ii) a deferred cash bonus in the amount of approximately \$3,727,500. Including the year-end incentive opportunity, Mr. Fairbank's total compensation for the 2017 performance year consisted of 78% equity-based awards and 22% deferred cash. The award of RSUs will vest in full on February 15, 2021, will settle in cash based on the Company's average stock price over the 15 trading days preceding the vesting date, and is subject to performance-based vesting provisions. The cash bonus is mandatorily deferred for three years into the Company's Voluntary Non-Qualified Deferred Compensation Plan and will pay out in the first calendar quarter of 2021. Both the award of RSUs and the deferred cash bonus are subject to clawback provisions. The performance-based vesting provisions applicable to the RSUs and the clawback provisions applicable to both awards are described in more detail under Additional Performance Conditions and Recovery Provisions beginning on page 64.

***CEO Compensation by Performance Year***

Below is a table showing Mr. Fairbank's compensation awards as they are attributable to the performance years indicated. For the years shown in the table, Mr. Fairbank's total target compensation was \$17.5 million. Mr. Fairbank's total compensation for performance year 2017 was \$16,712,565, which is substantially similar to his total compensation for performance years 2016 and 2015. See Year-End Incentive Opportunity beginning on page 52 for

additional information regarding the year-end incentive granted to Mr. Fairbank for performance year 2017.

Performance Year	Year-End Incentive			Long-Term Incentives			Total
	Cash Salary	Deferred Cash Bonus	Cash- Settled RSUs	Stock-Settled RSUs	Performance Shares	Option Awards	
2017	\$	\$3,727,500	\$2,485,006	\$	\$8,750,041	\$1,750,018	\$16,712,565
2016	\$	\$2,677,500	\$1,785,080	\$1,750,026	\$8,750,002	\$1,750,003	\$16,712,611
2015	\$	\$2,677,500	\$1,785,014	\$1,750,016	\$8,750,006	\$1,750,000	\$16,712,536

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The table above is presented to show how the Committee views compensation actions and to which year the compensation awards relate. This table differs substantially from the Summary Compensation Table beginning on page 73 required to be included in this proxy statement and is therefore not a substitute for the information required in that table. There are two principal differences between the Summary Compensation Table and the table above:

The table above reports equity-based awards as compensation for the performance year for which they were awarded, even if the award was granted in one year based on performance for the prior year. As a result, the cash-settled RSU award granted to Mr. Fairbank in February 2018 for the 2017 performance year, for example, is shown in the table above as 2017 compensation. The Summary Compensation Table reports equity-based awards in the year in which they were granted.

The Summary Compensation Table reports the change in pension value and non-qualified deferred compensation earnings and all other compensation. These amounts generally are not a result of current year compensation determinations and are not shown above.

***Additional Pay Elements***

As part of the CEO compensation program, the Committee and the independent directors also approved certain other programs intended to support Mr. Fairbank's productivity and well-being. These include:

Executive term life insurance with a benefit level of \$5 million

The ability to participate in a comprehensive voluntary annual health screening

Maintenance for Mr. Fairbank's home office

Personal security detail that also provides transportation service for Mr. Fairbank

The monitoring and maintenance of an electronic home security system  
Additional details on these programs can be found in the "Named Executive Officer Compensation" section beginning on page 73.

***2018 CEO Compensation Program***

Each year, the Committee and the independent directors review the CEO compensation program in light of Company performance data, peer comparator group performance data, historical pay information, data on specific market practices and trends, stockholder feedback, and other relevant points of information. The Committee and the independent directors continue to believe that the CEO compensation program aligns Mr. Fairbank's compensation with the Company's performance over the appropriate time horizons and supports the Company's executive compensation goals and principles. In February 2018, the Committee and the independent directors reviewed the compensation structure utilized in 2017 for Mr. Fairbank and determined that, for 2018, the CEO compensation program would continue to consist of equity awards granted at the beginning of the year plus an opportunity for an additional year-end incentive award based on CEO and Company performance for 2018. In this manner, the CEO's compensation will continue to be completely at-risk based on the Company's and Mr. Fairbank's performance, and all CEO compensation continues to be subject to a three-year deferred vesting or payout. The Committee and the independent directors also determined that for Mr. Fairbank's 2018 compensation program, a total target compensation amount of \$17.5 million, the same total target compensation for 2017, was appropriate.

In connection with the review of the CEO compensation program and in response to feedback received from stockholders, the Committee and the independent directors modified the structure of the CEO compensation program to increase the percentage of the CEO's total target compensation granted as performance shares from 50% to 60%, increasing the alignment of CEO compensation and Company performance by directly linking a greater portion of the CEO's compensation to the Company's performance over a three-year period of time. In connection with this change, the Committee and the independent directors eliminated the 10% of the CEO's total target compensation that was previously granted as stock options at the beginning of the performance year.

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The chart below shows the elements of the CEO's 2018 compensation as an approximate percentage of his total target compensation. For 2018, total target compensation comprised long-term incentives (60%) and a year-end incentive opportunity (40%).

**2018 CEO Target Compensation**

In addition, based on market practices and peer comparator information, and in response to stockholder feedback, the Committee and the independent directors changed the performance metrics underlying the performance share element of the compensation program for the CEO and other named executive officers. See Performance Share Award Metrics below for information regarding the new metrics. The terms of all other compensation granted to Mr. Fairbank in February 2018 are substantially similar to the terms described earlier under 2017 CEO Compensation Program, including the application of performance-based vesting and clawback provisions.

**Performance Share Award Metrics**

The Committee and the independent directors believe that named executive officer compensation should be linked to the performance of the Company and balanced to promote financial returns and value creation. Each year, the Committee and the independent directors evaluate the structure and amount of the equity awards provided to our named executive officers, including the Company performance metrics applicable to such awards. In connection with the annual review of the equity awards and in response to stockholder feedback, the Committee and the independent directors determined that performance share awards granted beginning in 2018 will be based on the following two metrics:

<b>Common Dividends + Growth of Tangible Book Value per Share ( Growth of Shareholder Value )</b>	<p>Growth of Shareholder Value rewards strong operational results, balanced stewardship of capital, and long-term stockholder value creation by measuring the value distributed to stockholders (common dividends per share) and the growth of company value created for common stockholders (tangible book value per share).</p> <p>Growth of Shareholder Value is calculated as the three-year average of the ratios, expressed as a percentage, of (a) the Company's tangible book value per share at the end of each year within the performance period, plus total common dividends per share paid during such year, to (b) the Company's tangible book value per share</p>
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<p><b>Adjusted Return on Tangible Common Equity ( Adjusted ROTCE )</b></p>	<p>at the beginning of each corresponding year within the performance period.</p> <p>Adjusted ROTCE rewards balanced capital management and stewardship while capturing current and historical business performance and profitability as compared to the size of our stockholders' investment in the Company. ROTCE is broadly used in banking as a key performance indicator and component in peer executive compensation programs.</p> <p>Adjusted ROTCE is calculated as the ratio, expressed as a percentage, of (a) the Company's net income available to common stockholders, excluding, on a tax-adjusted basis, the impact of impairment, amortization and re-measurement of intangible assets, to (b) the Company's average tangible common equity.</p>
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The Committee and the independent directors believe that these two performance metrics, in combination, provide a balanced and rigorous measurement of Company performance by balancing the creation of long-term stockholder value and the returns generated on stockholders' investment in the Company. Beginning with performance year 2018, the performance share awards represent 60% of CEO total target compensation and an anticipated range of between 30% and 55% of total target compensation of the other NEOs.

To appropriately incentivize long-term value creation in line with the Company's strategic goals, two-thirds of each performance share award will vest based on Growth of Shareholder Value, and one-third of each performance share award will vest based on Adjusted ROTCE. The Company's performance on each metric will be assessed relative to the KBW Index over the three-year period. After the end of the three-year performance period, the Committee will certify the Company's performance and issue the corresponding number of shares of the Company's common stock, if any, in accordance with the relative performance hurdles illustrated in the graph on page 51 under Performance Share Award. The metrics will be calculated as indicated above, with the Committee excluding from such calculations the initial effects of changes in tax laws, accounting principles or regulations, or other laws or provisions affecting the reported results if the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2004 Stock Incentive Plan or necessary or appropriate to comply with applicable laws, rules or regulations.

All performance share awards will continue to be subject to a performance share reduction. For performance shares granted beginning 2018, the performance share reduction will be based on the Company's Adjusted ROTCE, replacing Adjusted ROA, on an absolute basis. Specifically, the number of shares issued at settlement will be reduced if the Company's Adjusted ROTCE for one or more fiscal years completed during the performance period is not positive, no matter how well the Company performs compared to the peer group. In each year that the Company does not achieve positive Adjusted ROTCE, the executive will forfeit 50% of that year's worth of performance shares. If the Company's Adjusted ROTCE is not positive in each of the three fiscal years in the performance period, the executive will forfeit the entire award of performance shares. See Performance Share Reduction on page 65 and Financial Restatement Clawbacks on page 66 for more information. The table below shows potential performance share reduction amounts based on the Company's Adjusted ROTCE performance.

Number of Years During	Reduction in Number of Units Vesting and Shares Awarded
Performance Period Adjusted	
ROTCE is Not Positive	

Zero	No reduction
One	One-sixth reduction
Two	One-third reduction
Three	Entire award forfeited

### 2018 CEO Compensation Decisions

Based on the revised CEO compensation program, in February 2018 the Committee and the independent directors granted to Mr. Fairbank a performance share award under which he may receive from 0% to 150% of a target number of 100,268 shares of the Company's common stock based on the Company's performance over the three-year period from January 1, 2018 through December 31, 2020.

The Committee also determined that Mr. Fairbank will have an opportunity to receive an incentive award in late 2018 or early 2019. Any such award will consist of deferred cash, an equity-based award or both and will pay out or vest after a three-year deferral period. The Committee and the independent directors will have absolute discretion to determine whether to make the award, the form of the award and the value of the award relative to the target amount of \$7 million, and will base these determinations on the Committee's evaluation of the Company's performance in 2018 relative to the same factors described earlier under "Year-End Incentive Opportunity" related to financial and operating performance, governance and risk management, strategic performance and winning with our customers and associates. The maximum value of the award, if granted, will not exceed one-and-a-half times the target value. The Company expects that any such award will be subject to

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performance-based vesting and clawback provisions similar to the provisions applicable to the 2017 year-end incentive opportunity.

**NEO Compensation**

***Goals and Principles***

As with the CEO, the Committee seeks to align the interests of the other named executive officers with the interests of our stockholders by linking compensation to Company performance and the NEOs' contribution to that performance over the appropriate time horizons, while supporting safety and soundness and appropriately balancing risk. Each year the Committee approves the form, timing and amount of NEO compensation and makes recommendations to the independent directors for final approval. The Committee takes into account each NEO's historical performance, individual roles and responsibilities and contributions expected from each NEO in the future as well as the recommendations of the CEO, including his assessment of each NEO's performance. In determining 2017 NEO compensation, the Committee also considered the specific factors discussed below under Equity Incentive Awards beginning on page 60.

In this section, NEO Compensation, the term NEO refers to the named executive officers other than the CEO.

***2017 NEO Compensation Components***

For the 2017 performance year, the NEOs received a mix of approximately 20% cash and 80% equity-based compensation, consisting of: cash salary, RSU salary, and cash-settled RSUs, determined at the beginning of the performance year; and long-term incentive awards, determined following the end of the performance year based on the Committee's evaluation of Company and individual performance during the past year. The long-term incentive awards granted for the 2017 performance year are equity-based and consisted of performance shares (25% of target compensation) and stock-settled RSUs (25% of target compensation). All of these equity-based awards vest over a three-year period. Due to his transition to a non-executive role in July 2017, Mr. Crawford became ineligible to receive performance share awards, stock-settled RSUs, and certain cash-settled RSUs for the second half of the 2017 performance year, but continued to receive a cash base salary and an RSU salary.

The chart below shows the 2017 elements of NEO compensation as an approximate percentage of NEO total target compensation:

**2017 NEO Target Compensation**

See Additional Performance Conditions and Recovery Provisions beginning on page 64 for more details regarding the performance and recovery provisions applicable to each element of compensation that the Committee approved for the 2016 performance year for the named executive officers.

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The Committee annually reviews and approves the compensation structure for all of our executive officers, including those who are ultimately reported as NEOs, and makes recommendations to the independent directors for final approval. In February 2017, the Committee and the independent directors approved the 2017 compensation program, which is designed to be consistent with the Company's pay-for-performance philosophy and is generally consistent with the 2016 compensation program. The Committee believes that this pay mix balances stockholder interests while effectively rewarding and motivating key talent; however, based on market practices and trends, a review of peer comparator information, and in response to stockholder feedback, the Committee determined to further refine the NEO compensation program in 2018, as described below under 2018 NEO Compensation Program.

The table below summarizes the NEO compensation program that the Committee and the independent directors approved for the 2017 performance year.

Compensation Element <sup>(1)</sup>	Timing of Award		Vesting	Performance and
	Determination	Basis for Award	Schedule	Recovery Provisions
Base Salary - Cash	February 2017	Overall experience, skills, performance, and knowledge	Paid in cash throughout the performance year	Not applicable
Base Salary - RSUs	February 2017	Portion of base salary delivered in RSUs	Awarded as RSUs which settle in cash on February 15 following the performance year	Not applicable

Cash-Settled RSUs	February 2018	Reward for 2017 Company performance	3-year ratable vesting	Misconduct clawback
Performance Shares	February 2018	Reward for 2017 individual performance and incentive for long- term performance	Vest at the end of the 3-year performance period; the number of shares vesting depends on achievement of performance factors	Performance share reduction Misconduct clawback Financial restatement clawbacks
Stock-Settled RSUs			3-year ratable vesting	Performance-based vesting provisions Misconduct clawback

Based on the above framework, the Committee and the independent directors determined the 2017 total target compensation for each NEO by considering the following factors:

Each NEO's performance relative to the Company's strategic objectives

Capital One's historical performance

The role and qualifications of each NEO (for example, the NEO's scope of responsibility, experience and tenure and the demonstration of competencies consistent with the Company's values and the ability to deliver strong, sustainable business results)

Appropriate internal pay differentials and the desire to foster teamwork and collaboration

Historical pay levels

Available role-specific market compensation data from peer comparator companies

Available information on the structure of compensation packages for senior executives at peer comparator companies

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Market trends in executive compensation (for example, current rates of pay and the prevalence and types of incentive vehicles)

The overall structure of the compensation program

**Base Salaries**

For the 2017 performance year, the Committee chose to defer a significant portion of each NEO's base salary until the end of the year. Rather than award each NEO a base salary entirely in cash, the 2017 base salary for NEOs was delivered in a mix of cash (approximately 20% of total target compensation) and RSUs that settled in cash on February 15, 2018 (approximately 15% of total target compensation). In this way, the 2017 compensation program further deferred cash compensation for each NEO and placed it at risk to the performance of the Company's stock price for the entire performance year.

In February 2017, the Committee and the independent directors approved 2017 base salaries for the NEOs, ranging from \$1,586,784 to \$2,835,007, which consisted of a cash portion ranging from \$900,000 to \$1,600,000 and a cash-settled RSU portion ranging from \$686,784 to \$1,235,007. Individual details for each NEO are provided in the table below showing compensation by performance year.

**Year-End Incentive Awards**

A portion of the NEO's 2017 compensation consisted of an opportunity for a year-end incentive award based on individual NEO and Company performance in 2017. This award, if granted, may consist of stock options, performance shares, and/or RSUs. In February 2018 the Committee and the independent directors determined to award each NEO various equity-based incentive awards as recognition of Company and individual performance in 2017.

***Cash-Settled RSU Awards***

In February 2018, the Committee and the independent directors approved awards of cash-settled RSUs for the NEOs ranging from \$612,507 to \$788,018, representing a payout at 100% of the target award values established by the Committee in February 2017 based on actual Company performance in 2017. Individual details for each NEO are provided in the table below showing compensation by performance year. The assessment of Company performance for the NEOs is consistent with the assessment performed in connection with the CEO year-end incentive award. The Committee and the independent directors determined that these awards were appropriate in light of the Company's performance as described under "Year-End Incentive Opportunity" beginning on page 52 in connection with the determinations by the Committee and the independent directors relating to the CEO's year-end incentive awards.

***Equity Incentive Awards***



In February 2018, the Committee and the independent directors granted equity incentive awards, consisting of stock-settled RSUs and performance share awards, to the NEOs for the 2017 performance year as recognition for individual NEO performance in 2017 and to drive further performance over the long term. At Capital One, equity incentive awards are linked to performance in two ways:

The size of the award is based on each NEO's individual performance assessment for the year just completed

The ultimate value of the award is dependent on Capital One's performance over time

Equity incentive awards are designed to emphasize elements that are of particular importance to Capital One given the Company's unique goals and continually evolving business strategies and objectives. In determining the actual amounts to be awarded to each NEO, the Committee considered each NEO's contribution to the Company's performance for 2017, as well as the individual performance of each NEO. The Committee also received input from the CEO on his assessment of each NEO's individual performance and his recommendations for compensation of the NEOs. The CEO also assessed the degree to which the NEO balanced risks inherent in

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the NEO's role. These assessments included the use of both quantitative and qualitative risk measures and were compiled by the Chief Risk Officer and reviewed by the Chief Human Resources Officer, and separately the Chief Auditor compiled and reviewed the assessment for the Chief Risk Officer, before being presented to the Committee and the independent directors for their consideration.

As noted above, the equity incentive awards consisted of stock-settled RSUs and performance share awards. The terms of the performance share awards are substantially similar to the terms of the performance share awards granted to our CEO in 2018, as described earlier under "Performance Share Award Metrics" beginning on page 56. The NEO stock-settled RSUs vest ratably in one-third increments starting on the first anniversary of the grant date and are subject to performance-based vesting and clawback provisions as discussed below under "Additional Performance Conditions and Recovery Provisions" beginning on page 64.

Mr. Blackley, the Company's Chief Financial Officer, was awarded 11,167 stock-settled RSUs and a target amount of 11,167 performance shares with a total grant date value for both awards of \$2,338,816. The Committee and the independent directors determined to grant these awards based upon Mr. Blackley's leadership of the Company's financial reporting, disclosure and related controls and his successful assumption of an expanded role leading the Company's Global Finance organization and Corporate Development. The Committee and the directors also considered Mr. Blackley's collaborative partnership, breadth of knowledge, and exceptional results in improving the Company's financial discipline.

Mr. LaPrade, the Company's Chief Enterprise Services Officer and Chief of Staff to the CEO, was awarded 12,071 stock-settled RSUs and a target amount of 12,071 performance shares with a total grant date value for both awards of \$2,528,150. The Committee and the independent directors determined to grant these awards based upon the continued strong performance of the Company's information technology, brand marketing, and digital banking functions in 2017, as well as Mr. LaPrade's multi-dimensional perspective, motivational leadership, and excellence in strategic problem solving.

Mr. Finneran, the Company's Chief Risk Officer and Corporate Secretary (General Counsel and Corporate Secretary during 2017), was awarded 12,534 stock-settled RSUs and a target amount of 12,534 performance shares with a total grant date value for both of \$2,625,120. The Committee and the independent directors determined to grant these awards based upon Mr. Finneran's valuable guidance and oversight on legal, risk, and regulatory issues, as well as Mr. Finneran's sound judgment, strategic leadership, and thoughtful, rigorous, and balanced management of risk.

Mr. Yajnik, the Company's President, Financial Services, was awarded 13,047 stock-settled RSUs and a target amount of 13,047 performance shares with a total grant date value for both awards of \$2,732,564. The Committee and the independent directors determined to grant these awards based upon the strong performance of the Auto business in 2017, including disciplined loan and volume growth, as well as Mr. Yajnik's continued leadership in driving technological innovation and transformational change in financial services.

Mr. Crawford, the Company's Head of Finance and Corporate Development until June 30, 2017 and Senior Advisor (a non-executive advisory role) thereafter, was awarded 9,739 stock-settled RSUs and a target amount of 9,739 performance shares with a total grant date value for both awards of \$2,039,736. The Committee and the independent directors determined to grant these awards based upon Mr. Crawford's effective leadership as Head of Finance and

Corporate Development through the first half of 2017. The Committee and the independent directors also recognized Mr. Crawford's thoughtful and integrative advice to senior management to advance the Company's financial and strategic agenda.

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***NEO Compensation by Performance Year***

The table below shows actual NEO compensation as it is attributable to the performance year indicated.

Performance Year	Base Salary		Year-End Incentive	Long-Term Incentives			Total Compensation
	Cash Salary	RSU		Cash- Settled	Stock- Settled	Performance	
		Salary <sup>(1)</sup>	RSUs	RSUs	Shares	Option Awards	