

CAPITAL ONE FINANCIAL CORP
Form 10-K
February 24, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____
Commission File No. 1-13300

CAPITAL ONE FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

54-1719854
(I.R.S. Employer
Identification No.)

1680 Capital One Drive,
McLean, Virginia
(Address of Principal Executive Offices)

22102
(Zip Code)

Registrant's telephone number, including area code: (703) 720-1000

Securities registered pursuant to section 12(b) of the act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock (par value \$.01 per share)	New York Stock Exchange
Warrants (expiring November 14, 2018)	New York Stock Exchange
Depository Shares, Each Representing a 1/40 th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series B	New York Stock Exchange
Depository Shares, Each Representing a 1/40 th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series C	New York Stock Exchange
Depository Shares, Each Representing a 1/40 th Interest in a Share of Fixed Rate Non-Cumulative Perpetual Preferred Stock, Series D	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

Edgar Filing: CAPITAL ONE FINANCIAL CORP - Form 10-K

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a Shell Company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the close of business on June 30, 2014.

Common Stock, \$.01 Par Value: \$39,808,996,734*

In determining this figure, the registrant assumed that the executive officers of the registrant and the registrant's * directors are affiliates of the registrant. Such assumption shall not be deemed to be conclusive for any other purpose.

The number of shares outstanding of the registrant's common stock as of the close of business on January 30, 2015.

Common Stock, \$.01 Par Value: 551,590,891 shares

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the Proxy Statement for the annual meeting of stockholders to be held on April 30, 2015, are incorporated by reference into Part III.

TABLE OF CONTENTS

	Page
PART I	1
Item 1. <u>Business</u>	1
<u>Overview</u>	1
<u>Operations and Business Segments</u>	2
<u>Supervision and Regulation</u>	3
<u>Competition</u>	12
<u>Employees</u>	12
<u>Additional Information</u>	13
<u>Forward-Looking Statements</u>	13
Item 1A. <u>Risk Factors</u>	15
Item 1B. <u>Unresolved Staff Comments</u>	27
Item 2. <u>Properties</u>	27
Item 3. <u>Legal Proceedings</u>	28
Item 4. <u>Mine Safety Disclosures</u>	28
PART II	29
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	29
Item 6. <u>Summary of Selected Financial Data</u>	31
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)</u>	35
<u>Executive Summary and Business Outlook</u>	35
<u>Critical Accounting Policies and Estimates</u>	39
<u>Accounting Changes and Developments</u>	44
<u>Consolidated Results of Operations</u>	45
<u>Business Segment Financial Performance</u>	51
<u>Consolidated Balance Sheets Analysis</u>	65
<u>Off-Balance Sheet Arrangements and Variable Interest Entities</u>	69
<u>Capital Management</u>	69
<u>Risk Management</u>	74
<u>Credit Risk Profile</u>	78
<u>Liquidity Risk Profile</u>	91
<u>Market Risk Profile</u>	97
<u>Supplemental Tables</u>	100
<u>Glossary and Acronyms</u>	107
Item 7A. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	113
Item 8. <u>Financial Statements and Supplementary Data</u>	114
<u>Consolidated Statements of Income</u>	118
<u>Consolidated Statements of Comprehensive Income</u>	119
<u>Consolidated Balance Sheets</u>	120
<u>Consolidated Statements of Changes in Stockholders’ Equity</u>	121
<u>Consolidated Statements of Cash Flows</u>	122

<u>Notes to Consolidated Financial Statements</u>	<u>123</u>
<u>Note 1—Summary of Significant Accounting Policies</u>	<u>123</u>
<u>Note 2—Discontinued Operations</u>	<u>124</u>
<u>Note 3—Investment Securities</u>	<u>125</u>
<u>Note 4—Loans</u>	<u>132</u>
<u>Note 5—Allowance for Loan and Lease Losses</u>	<u>147</u>
<u>Note 6—Variable Interest Entities and Securitizations</u>	<u>149</u>
<u>Note 7—Goodwill and Intangible Assets</u>	<u>154</u>
<u>Note 8—Premises, Equipment and Lease Commitments</u>	<u>157</u>
<u>Note 9—Deposits and Borrowings</u>	<u>158</u>
<u>Note 10—Derivative Instruments and Hedging Activities</u>	<u>161</u>
<u>Note 11—Stockholders' Equity</u>	<u>166</u>
<u>Note 12—Regulatory and Capital Adequacy</u>	<u>168</u>
<u>Note 13—Earnings Per Common Share</u>	<u>170</u>
<u>Note 14—Other Non-Interest Expense</u>	<u>171</u>
<u>Note 15—Stock-Based Compensation Plans</u>	<u>172</u>
<u>Note 16—Employee Benefit Plans</u>	<u>176</u>
<u>Note 17—Income Taxes</u>	<u>181</u>
<u>Note 18—Fair Value Measurement</u>	<u>184</u>
<u>Note 19—Business Segments</u>	<u>195</u>
<u>Note 20—Commitments, Contingencies, Guarantees and Others</u>	<u>198</u>
<u>Note 21—Capital One Financial Corporation (Parent Company Only)</u>	<u>207</u>
<u>Note 22— Related Party Transactions</u>	<u>209</u>
<u>Selected Quarterly Financial Information</u>	<u>210</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>211</u>
Item 9A. <u>Controls and Procedures</u>	<u>211</u>
Item 9B. <u>Other Information</u>	<u>211</u>
PART III	<u>212</u>
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>212</u>
Item 11. <u>Executive Compensation</u>	<u>212</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>212</u>
Item 13. <u>Certain Relationships and Related Transactions and Director Independence</u>	<u>212</u>
Item 14. <u>Principal Accountant Fees and Services</u>	<u>212</u>
PART IV	<u>213</u>
Item 15. <u>Exhibits, Financial Statements Schedules</u>	<u>213</u>
<u>SIGNATURES</u>	<u>214</u>
<u>EXHIBIT INDEX</u>	<u>215</u>

INDEX OF MD&A TABLES AND SUPPLEMENTAL TABLES

MD&A Tables:		Page
1	<u>Business Segment Results</u>	<u>37</u>
2	<u>Average Balances, Net Interest Income and Net Interest Yield</u>	<u>46</u>
3	<u>Rate/Volume Analysis of Net Interest Income</u>	<u>48</u>
4	<u>Non-Interest Income</u>	<u>48</u>
5	<u>Non-Interest Expense</u>	<u>50</u>
6	<u>Credit Card Business Results</u>	<u>52</u>
6.1	<u>Domestic Card Business Results</u>	<u>55</u>
6.2	<u>International Card Business Results</u>	<u>56</u>
7	<u>Consumer Banking Business Results</u>	<u>58</u>
8	<u>Commercial Banking Business Results</u>	<u>61</u>
9	<u>Other Results</u>	<u>64</u>
10	<u>Investment Securities</u>	<u>66</u>
11	<u>Non-Agency Investment Securities Credit Ratings</u>	<u>66</u>
12	<u>Loans Held for Investment</u>	<u>67</u>
13	<u>Changes in Representation and Warranty Reserve</u>	<u>68</u>
14	<u>Capital Ratios</u>	<u>71</u>
15	<u>Estimated Common Equity Tier 1 Ratio under Fully Phased-In Basel III Standardized Approach</u>	<u>72</u>
16	<u>Loan Portfolio Composition</u>	<u>79</u>
17	<u>Home Loan: Risk Profile by Lien Priority</u>	<u>81</u>
18		