

CAPITAL ONE FINANCIAL CORP  
Form DEF 14A  
March 11, 2008  
Table of Contents

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**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):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  
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- o Fee paid previously with preliminary materials.
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**Table of Contents**

**NOTICE OF CAPITAL ONE FINANCIAL CORPORATION S**

**2008 ANNUAL STOCKHOLDER MEETING**

The Annual Stockholder Meeting of Capital One Financial Corporation ( Capital One ) will be held at Capital One s headquarters, 1680 Capital One Drive, McLean, Virginia 22102, on April 24, 2008, at 10:00 a.m.

**Items of Business**

As a stockholder you will be asked to:

1. Elect three directors;
2. Ratify the Audit and Risk Committee s selection of Ernst & Young LLP as independent auditors of the Corporation for 2008;
3. Approve Capital One s Amended and Restated Associate Stock Purchase Plan;
4. Consider a stockholder proposal described in this proxy, if it is properly presented at the meeting; and
5. Transact such other business as may properly come before the meeting.

**Record Date**

You may vote if you were a stockholder of record at the close of business on February 25, 2008.

**Proxy Voting**

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

**Annual Meeting Admission**

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. A valid picture identification and proof of stock ownership must be presented in order to attend the meeting. If you hold Capital One stock through a broker, bank, trust or other nominee ( street name ), 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 valid proof of proxy. Cameras, recording devices and other electronic devices are not permitted.

We look forward to seeing you at the meeting.

On behalf of the Board of Directors,

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John G. Finneran, Jr.

Corporate Secretary

Capital One Financial Corporation

1680 Capital One Drive

McLean, VA 22102

March 11, 2008

**Table of Contents**

**TABLE OF CONTENTS**

<u>SECTION I PROXY STATEMENT</u>	1
<u>SECTION II GOVERNANCE OF CAPITAL ONE</u>	6
<u>SECTION III SECURITY OWNERSHIP</u>	15
<u>SECTION IV DIRECTOR COMPENSATION</u>	19
<u>SECTION V COMPENSATION DISCUSSION AND ANALYSIS</u>	22
<u>SECTION VI NAMED EXECUTIVE OFFICERS COMPENSATION</u>	34
<u>SECTION VII EQUITY COMPENSATION PLANS</u>	52
<u>SECTION VIII COMPENSATION COMMITTEE REPORT</u>	56
<u>SECTION IX AUDIT AND RISK COMMITTEE REPORT</u>	57
<u>SECTION X ELECTION OF DIRECTORS (ITEM 1 ON PROXY CARD)</u>	58
<u>SECTION XI RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS (ITEM 2 ON PROXY CARD)</u>	59
<u>SECTION XII APPROVAL AND ADOPTION OF CAPITAL ONE S AMENDED AND RESTATED ASSOCIATE STOCK PURCHASE PLAN (ITEM 3 ON PROXY CARD)</u>	60
<u>SECTION XIII STOCKHOLDER PROPOSAL (ITEM 4 ON THE PROXY CARD)</u>	62
<u>SECTION XIV CAPITAL ONE STATEMENT IN OPPOSITION TO THE STOCKHOLDER PROPOSAL</u>	63
<u>SECTION XV OTHER BUSINESS</u>	64
<u>APPENDIX A AMENDED AND RESTATED CAPITAL ONE FINANCIAL CORPORATION 2002 ASSOCIATE STOCK PURCHASE PLAN</u>	A-1

**Table of Contents**

**SECTION I PROXY STATEMENT**

**Why did I receive a Notice Regarding the Availability of Proxy Materials?**

In accordance with new Securities and Exchange Commission rules, instead of mailing a printed copy of our proxy materials, we may now send a Notice of Internet Availability of Proxy Materials (the Notice) to stockholders. All stockholders will have the ability to access the proxy materials on a website referred to in the Notice or to request a printed set of these materials at no charge. You will not receive a printed copy of the proxy materials unless you specifically request one. Instead, the Notice instructs you as to how you may access and review all of the important information contained in the proxy materials via the Internet and submit your vote via the Internet or telephonically.

In addition, you may request to receive future proxy materials on an ongoing basis (i) electronically by e-mail or (ii) in printed form by mail. Choosing to receive future proxy materials by e-mail will save the Company the cost of printing and mailing documents to stockholders and will reduce the impact of annual meetings on the environment. Your election to receive proxy materials by e-mail or by mail will remain in effect until you terminate it.

**What is the purpose of the proxy materials?**

The Board of Directors of Capital One Financial Corporation (Capital One or the Company) is providing you these materials in connection with Capital One's 2008 Annual Stockholder Meeting (the Annual Meeting). These materials are being made available on or about March 11, 2008. All stockholders of record as of the close of business on February 25, 2008, are entitled to attend the Annual Meeting and to vote on the items of business outlined in this proxy statement. If you choose not to attend the Annual Meeting, you may vote your shares via the internet, by telephone or by mail.

**Can I attend the Annual Meeting?**

If you held shares of Capital One common stock as of the close of business on February 25, 2008, you may attend the Annual Meeting. Because seating is limited, only you and a guest may attend the meeting. Admission to the meeting is on a first-come, first-served basis. Registration begins at 9:00 a.m. You must present a valid picture identification and proof of Capital One stock ownership as of the record date. If you hold Capital One stock in a brokerage account (street name), you must bring a copy of a brokerage statement reflecting your stock ownership as of the record date. If you plan to attend as the proxy of a stockholder, you must present valid proof of proxy. Cameras, recording devices and other electronic devices are not permitted at the meeting.

**Am I entitled to vote?**

You are entitled to vote if our records indicate that you held shares as of the close of business on February 25, 2008. All stockholders of record are entitled to one vote per share of common stock held for each matter submitted for a vote at the meeting. Cumulative voting for the election of directors is not permitted. On February 25, 2008, there were 373,289,195 shares of Capital One's common stock issued and outstanding.

**What is the difference between holding shares as a beneficial owner in street name and as a stockholder of record?**

If your shares are held in street name through a broker, bank, trust or other nominee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your broker, bank, trust or other nominee on how to vote your shares.

Your broker, bank, trust or other nominee has the discretion to vote on routine corporate matters presented in the proxy materials without your specific voting instructions. Your broker, bank, trust or other nominee does not have the discretion to vote on non-routine matters. For non-routine matters, your shares will not be voted without

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## **Table of Contents**

your specific voting instructions. If you hold your shares in street name, you, the beneficial owner, are not the stockholder of record, and therefore you may not vote these shares in person at the Annual Meeting unless you obtain a legal proxy from the broker, bank, trust or other nominee that holds your shares.

If your shares are registered directly in your name with Capital One's transfer agent, Computershare, you are considered to be a stockholder of record with respect to those shares. As a stockholder of record, you have the right to grant your voting proxy directly to Capital One or to a third party, or to vote in person at the Annual Meeting.

### **How do I request paper copies of the proxy materials?**

If you hold Capital One stock in street name through a broker, bank, trust or other nominee, you may request paper copies of the 2008 proxy materials by following the instructions listed at [www.proxyvote.com](http://www.proxyvote.com), by telephoning 1-800-579-1639 or by sending an e-mail to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com).

If you hold Capital One shares directly in your name through Capital One's stock transfer agent, Computershare Trust Company, N.A. (Computershare) as a stockholder of record, you may request paper copies of the 2008 proxy materials by following the instructions at [www.envisionreports.com/COE](http://www.envisionreports.com/COE), by telephoning 1-866-641-4276 or by sending an e-mail to [investorvote@computershare.com](mailto:investorvote@computershare.com). Please be sure to put "Proxy Materials Order" in the subject line of the message and indicate in the body of the message your full name and address as well as the three numbers located in the shaded bar on the reverse side of your meeting notice.

### **How do I vote?**

#### ***By Internet or Telephone***

If you hold Capital One stock in street name through a broker, bank, trust or other nominee, you may vote electronically via the Internet at [www.proxyvote.com](http://www.proxyvote.com). If you wish to vote by telephone you will need to request paper copies of the materials in order to obtain a Voting Instruction Form which contains a specific telephone number for your broker, bank, trust or other nominee. Votes submitted telephonically or via the Internet must be received by 11:59 PM (EST) on April 23, 2008.

If you hold Capital One shares directly in your name as a stockholder of record, you may vote electronically via the Internet at [www.envisionreports.com/COE](http://www.envisionreports.com/COE), or telephonically by calling 1-800-652-Vote (8683). Votes submitted telephonically or via the Internet must be received by 11:59 PM (EST) on April 23, 2008.

#### ***In Person***

If you hold Capital One shares in street name through a broker, bank, trust or other nominee, you must obtain a legal proxy from that institution and present it to the inspector of elections with your ballot to be able to vote at the Annual Meeting. To request a legal proxy please follow the instructions at [www.proxyvote.com](http://www.proxyvote.com).

If you hold Capital One shares directly in your name as a stockholder of record, you may vote in person at the Annual Meeting. Stockholders of record are entitled to one vote per share of common stock held for each matter submitted for vote at the meeting. Stockholders of record also may be represented by another person at the Annual Meeting by executing a proper proxy designating that person.

#### ***By Mail***

If you hold Capital One shares in street name through a broker, bank, trust or other nominee, to vote by mail you must request paper copies of the proxy materials. Once you receive your paper copies, you will need to mark, sign and date the Voting Instruction Form and return it in the prepaid return envelope provided. Our proxy distributor, Broadridge Financial Solutions, Inc. (Broadridge) must receive your Voting Instruction Form no later than close of business on April 23, 2008.

If you hold Capital One shares directly in your name as a stockholder of record, you will need to request paper copies of the proxy materials. Once you receive your paper copies, including the proxy card, you will need to





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## **Table of Contents**

mark, sign and date your proxy card and return it using the prepaid return envelope provided or return it to Proxy Services, c/o Computershare Investor Services, P.O. Box 43101, Providence, RI 02940-5067. Computershare must receive your proxy card no later than close of business on April 23, 2008.

### **How do I vote my 401(k) shares?**

If you participate in the Capital One Associate Savings Plan, you may vote the number of shares equivalent to your interest, if any, in the Capital One Pooled Stock Fund as credited to your account on the record date. You will receive instructions on how to vote your shares via email from Broadridge. The Trustee of the Associate Savings Plan will vote your shares in accordance with your duly executed instructions if they are received by April 21, 2008. If you do not send instructions, the trustee will not vote the share equivalents credited to your account.

### **Can I revoke my proxy?**

#### ***Beneficial Owners***

Yes. If your shares are held in street name through a broker, bank, trust or other nominee, you may revoke any proxy that you previously granted or change your vote at any time prior to 11:59 PM (EST) on April 23, 2008, by entering your new vote electronically via the Internet at [www.proxyvote.com](http://www.proxyvote.com) using the account, control and pin numbers that you previously used or telephonically using the number indicated on your Voting Instruction Form. If you desire to change your vote by mail, you must first request paper copies of the materials and mail your new Voting Instruction Form using the prepaid return envelope provided. However, your new instructions must be received before the close of business on April 23, 2008.

#### ***Stockholders of Record***

Yes. If you hold Capital One shares directly in your name as a stockholder of record, you may revoke any proxy that you have previously granted or change your vote at any time prior to 11:59 PM (EST) on April 23, 2008, by entering your new vote via Computershare's electronic voting system at [www.envisionreports.com/COF](http://www.envisionreports.com/COF) or telephonically by calling 1-800-652-VOTE (8683) using the account, control and pin numbers on the Notice and/or proxy card, located within the shaded bar. Computershare must receive your mailed proxy card no later than close of business on April 23, 2008, in order to capture your revised voting instruction.

You also may revoke your proxy or change your vote at any time prior to the final tallying of votes by:

Delivering a written notice of revocation to Capital One's Corporate Secretary at the address on the Notice of Annual Meeting;

Executing and delivering to the Corporate Secretary a later-dated proxy; or

Attending the meeting and voting in person.

### **What constitutes a quorum?**

A quorum of stockholders is necessary to transact business at the Annual Meeting. A quorum exists if the holders of a majority of Capital One's shares entitled to vote are present in person or represented by proxy, including proxies on which abstentions (withholding authority to vote) are indicated. Abstentions and broker non-votes, other than where stated, will be counted in determining the quorum, but neither will be counted as votes cast.

**Who will count the vote?**

Votes will be tabulated by the Inspector of Elections. The Board of Directors has appointed a representative of Computershare to serve as the Inspector of Elections.

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## **Table of Contents**

### **Will a list of stockholders be made available?**

Capital One will make a list of stockholders available at the Annual Meeting and, for ten days prior to the meeting, at our offices located at 1680 Capital One Drive in McLean, Virginia. Please contact Capital One's Corporate Secretary at (703) 720-1000 if you wish to inspect the stockholders list prior to the Annual Meeting.

### **How much did the solicitation cost?**

Capital One will pay the costs of the solicitation. We have retained Innisfree M&A Incorporated to assist us in the solicitation of proxies for an aggregate fee of \$15,000, plus reasonable out-of-pocket expenses. In addition to Capital One soliciting proxies over the Internet, by telephone and by mail, our board members, officers and employees may solicit proxies on our behalf, without additional compensation.

### **What is householding?**

Under Securities and Exchange rules, a single package of Notices may be sent to any household at which two or more stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate Notice within the package. This procedure, referred to as householding, reduces the volume of duplicative information stockholders receive and reduces mailing expenses. Stockholders may revoke their consent to future householding mailings by contacting Broadridge, by either calling toll free at 1-800-542-1061, or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, NY 11717.

### **What are the Board of Directors recommendations?**

Unless you give other instructions, the individuals named as proxy holders will vote in accordance with the recommendations of the Board of Directors (the Board) as follows:

**For** the election of the nominated slate of directors (see page 58);

**For** the ratification of the Audit Committee's selection of Ernst & Young LLP as independent auditors of the Corporation for 2008 (see page 59);

**For** the approval of Capital One's Amended and Restated Associate Stock Purchase Plan (see page 60); and

**Against** the Stockholder Proposal (see page 62).

Our Board is not aware of any other matter that will be presented at the Annual Meeting. If any other matter is presented at the Annual Meeting, the persons named on your proxy ballot will, in the absence of stockholder instructions to the contrary, vote the shares for which such persons have voting authority in accordance with their discretion on the matter.

### **What vote is necessary to approve each item?**

Item 1 requests your vote regarding the election of three candidates for director. Each nominee will be re-elected as director if a majority of the votes cast on his or her re-election are voted in favor of such re-election. Abstentions are not considered votes cast and thus do not have an effect on the outcome of the vote as to Item 1. For more information regarding Capital One's director election process see page 58.

Item 2, the ratification of the Audit Committee's selection of Ernst & Young LLP as independent auditors of the Corporation for 2008, will be approved if a majority of the votes cast on the proposal are voted in favor of the proposal. Abstentions are not considered votes cast and thus do not have an effect on the outcome of the vote as to Item 2.

Item 3, the approval of Capital One's Amended and Restated Associate Stock Purchase Plan, will be approved if a majority of the votes cast on the proposal are voted in favor of the proposal. Abstentions are not considered votes cast and thus do not have an effect on the outcome of the vote as to Item 3.



**Table of Contents**

Item 4, the consideration of the Stockholder Proposal, will be approved if a majority of the votes cast on the proposal are voted in favor of the proposal. Abstentions are not considered votes cast and thus do not have an effect on the outcome of the vote as to item 4.

Under New York Stock Exchange (the NYSE) rules, if you hold your shares through a broker and you do not submit voting instructions, your broker will have discretionary authority to vote your shares according to the recommendations of the Board of Directors with respect to Items 1 and 2 presented at the Annual Meeting. If you do not submit voting instructions, your broker will not have discretion to vote your shares with respect to Items 3 or 4. This is called a broker non-vote. Broker non-votes are not considered votes cast and thus do not have an effect on the outcome of the vote as to items 3 and 4.

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**Table of Contents**

**SECTION II GOVERNANCE OF CAPITAL ONE**

**Corporate Governance General**

Capital One is committed to strong corporate governance. Our governance practices not only comply with all governance laws, rules and regulations, including the Sarbanes-Oxley Act of 2002 and NYSE listing standards, but they also incorporate many emerging trends as key components of Capital One's controls and governance program. The Board of Directors believes that these practices are key to the continued financial success and growth of Capital One.

**Corporate Governance Principles**

We believe that sound corporate governance is important to the ethical and effective functioning of the Board, its Committees and Capital One as a whole. It is also critical to preserving the trust of our stakeholders, including investors, employees, customers, suppliers, governmental entities and the general public.

The Board of Directors has therefore adopted Corporate Governance Principles to formalize the Board's governance practices and its view of effective governance. The Board of Directors monitors governance developments and practices and reviews the Corporate Governance Principles periodically to ensure Capital One continues to implement effective governance practices. Capital One's Corporate Governance Principles are available free of charge on the corporate governance page of Capital One's internet site at [www.capitalone.com](http://www.capitalone.com) under Investors, or in hard copy upon request to the Corporate Secretary at the address set forth on the Notice of Annual Meeting.

**Code of Business Conduct and Ethics**

Capital One is committed to maintaining a reputation for honesty, fair dealing and integrity. This can only be achieved if the Board of Directors and all employees conduct their business affairs with the utmost integrity and ethical commitment. The purpose of Capital One's Code of Business Conduct and Ethics ( Code of Conduct ) is to guide ethical actions and working relationships by Capital One's directors, officers and employees with investors, current and potential customers, fellow employees, competitors, governmental entities, the media and other third parties with whom Capital One has contact.

The Board of Directors has therefore adopted the Code of Conduct, which applies to all Capital One directors and associates, including Capital One's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and other persons performing similar functions. The Code of Conduct, as amended from time to time, is available free of charge on the corporate governance page of Capital One's internet site at [www.capitalone.com](http://www.capitalone.com) under Investors, or in hard copy upon request to the Corporate Secretary. Capital One will post on its website any waiver under the Code of Conduct granted to any of its directors or executive officers and will disclose such waivers through a filing with the SEC on Form 8-K within four business days of the granting of the waiver.

**Board Composition and Meetings**

The Board of Directors oversees Capital One's business and directs its management. The Board does not involve itself with the day-to-day operations and implementation of Capital One's business. Instead, the Board meets periodically with management to review Capital One's performance, risks and business strategy. Directors regularly consult with management to keep themselves informed about Capital One's progress. The Board met twelve times during 2007, including meetings comprising only the independent directors. Each incumbent director attended at least 75% of the aggregate of the meetings of the Board and the committees on which the director served during the year. The independent directors meet in executive session (without the presence of management) on a regularly scheduled basis, at least three times each year.

Capital One expects all of its directors to attend the Annual Meeting. In 2007, all directors then serving attended the Annual Meeting.

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## **Table of Contents**

### **Director Independence**

The Board has assessed whether each of its non-employee members is independent under Capital One's Director Independence Standards, as described below. These standards, which have been adopted by the Board as part of Capital One's Corporate Governance Principles, reflect, among other things, the director independence requirements set forth in the listing standards of the NYSE and other applicable legal and regulatory rules, and describe certain relationships that the Board has determined to be immaterial for purposes of determining director independence. The Governance and Nominating Committee of the Board is responsible for assessing the independence and qualifications of the members of the Board and makes recommendations thereon to the full Board. The Board has determined that each of Mr. Campbell, Mr. Dietz, Mr. Gross, Ms. Hackett, Mr. Hay, Mr. Leroy, Mr. Shattuck and Mr. Westreich are independent under the standards.

Capital One's policy regarding director independence is set forth in the Corporate Governance Principles, which are available free of charge on the corporate governance page of Capital One's internet site at [www.capitalone.com](http://www.capitalone.com) under Investors, or in hard copy upon request to the Corporate Secretary.

### **Related Person Transactions**

Capital One's policies and procedures for the review, approval or ratification of related person transactions are set forth in the Charter of the Governance and Nominating Committee, the Code of Conduct and internal written procedures. The Charter of the Governance and Nominating Committee requires it to review on an annual basis any transactions involving Capital One and any of its directors, executive officers or their immediate family members and, as appropriate, to consider potential conflicts of interest or the appearance of potential conflicts of interest, as well as issues relating to director independence. The Committee performs this review each year based on the information provided by each director and executive officer on an annual questionnaire and through a review of Capital One's internal systems for payments that could indicate the presence of a related person transaction. In developing its assessment and recommendation regarding related person transactions to the Board of Directors, the Committee relies upon criteria set forth in the Code of Conduct to evaluate activities or relationships that may create a conflict of interest, including potential related person transactions. In addition to specific prohibitions, these criteria include the extent to which the proposed relationship would be legal, authorized, and permitted (or prohibited) by Capital One policies, as well as the potential perspective of third parties regarding such relationships.

Internal written procedures require that any potential conflict of interest, including related person transactions, involving any of Capital One's directors or executive officers be reviewed by the General Counsel and, if the General Counsel believes that such relationship could create a conflict of interest or require disclosure as a related person transaction, by the Governance and Nominating Committee (in the case of an executive officer) or the disinterested members of the Board of Directors (in the case of a director).

### **Committees of the Board**

In order to assist it in fulfilling its functions, the Board of Directors conducts business through four Committees: the Audit and Risk Committee, the Compensation Committee, the Governance and Nominating Committee and the Finance and Trust Oversight Committee. Pursuant to Capital One's Corporate Governance Principles and applicable law, the Audit and Risk, Compensation, and Governance and Nominating Committees are comprised solely of independent directors. The Chair of each Committee determines the frequency, length and agenda of meetings for his or her Committee in accordance with such Committee's charter, in consultation with other members of the Committee and with appropriate members of management, and establishes an annual calendar of topics for consideration by the Committee. The Chair of each Committee may also seek comments on key issues from other directors who are not part of the Committee, and reports Committee activities to the full Board. In January 2008, each Committee and the Board of Directors approved the respective Committee's amended and

## **Table of Contents**

restated charter. Copies of the charter of each Committee are available free of charge on the Corporate Governance page of Capital One's internet site at [www.capitalone.com](http://www.capitalone.com) under Investors, or in hard copy upon request to the Corporate Secretary. Below is a description of each Committee:

### ***Audit and Risk Committee***

#### **Description**

The Audit and Risk Committee is generally responsible for overseeing Capital One's accounting, financial reporting, internal controls and risk assessment and management processes.

#### **Key Responsibilities**

- Monitor the integrity of Capital One's financial statements and internal controls;
- Monitor Capital One's compliance with legal and regulatory requirements;
- Review the qualifications, independence and performance of Capital One's independent auditor;
- Appoint, compensate, retain and oversee Capital One's independent auditor;
- Assess the performance of Capital One's internal auditor; and
- Monitor the processes by which management assesses and manages risk.

#### **Financial Expert**

Although other members of the Audit and Risk Committee may qualify as audit committee financial experts under the Sarbanes-Oxley Act of 2002 and the rules of the SEC thereunder, the Board has designated Mr. Dietz as the audit committee financial expert.

#### **2007 Meetings**

During 2007, the Audit and Risk Committee met fourteen times.

### ***Governance and Nominating Committee***

#### **Description**

The Governance and Nominating Committee assists the Board of Directors with respect to a variety of corporate governance matters and practices.

#### **Key Responsibilities**

- Advise the Board on its organization, membership and function;
- Identify and recommend director nominees and the structure and membership of each Committee of the Board;
- Advise and recommend action on corporate governance matters applicable to Capital One; and
- Oversee the Board's and the Chief Executive Officer's annual evaluation process and ensure that the directors engage in periodic discussions to plan for the Chief Executive Officer's succession.

The independent directors of the Board meet at least annually in executive session, both with and without the Chief Executive Officer, to conduct the Chief Executive Officer's evaluation.

#### **Presiding Director**

The Chair of the Governance and Nominating Committee, currently Ms. Hackett, presides at executive sessions of non-management directors. Interested parties may make their concerns known to the Board or the non-management directors as a group by contacting the Chair of the Governance and Nominating Committee. Detailed information on how to contact the Presiding Director is contained in the section entitled How to Contact the Board and the Presiding Director.



2007 Meetings

During 2007, the Governance and Nominating Committee met four times.

## **Table of Contents**

### ***Compensation Committee***

#### **Description**

The Compensation Committee assists the Board by managing and monitoring officer titles and compensation; overseeing and recommending benefit plans for Capital One associates to the Board; recommending compensation and benefit plans for the directors, the Chief Executive Officer and senior management to the Board's independent directors; and reviewing and approving the Committee's report, and reviewing and recommending Capital One's Compensation Discussion and Analysis disclosure, for inclusion in this proxy statement.

#### **Key Responsibilities**

Recommend director compensation to the Board of Directors;  
Recommend to the Board of Directors officers for election or re-election or the manner in which such officers will be chosen;  
Evaluate and recommend to the independent directors the Chief Executive Officer's compensation in light of the Committee's assessment of his performance and anticipated contributions with respect to Capital One's strategy and objectives;  
Recommend the salary levels, incentive awards, perquisites and termination arrangements for executive officers, other than the Chief Executive Officer, to the independent directors and the hiring or promotion of such executive officers to the Board;  
Oversee other compensation and benefit programs and recommend benefit plans to the Board for approval;  
Administer Capital One's 2004 Stock Incentive Plan, the 2002 Associate Stock Purchase Plan and other employee benefit plans; and  
Ensure Capital One provides appropriate disclosures in the Company's proxy statement.

In addition, the independent directors of the Board may meet concurrently with the Compensation Committee, as appropriate, to review and approve compensation for the Chief Executive Officer and other executive officers.

The Committee may also delegate authority of certain responsibilities to subcommittees or members of management as the Committee deems appropriate and as permitted by law.

#### **Compensation Committee Consultant**

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

The Committee determines the scope and nature of the Consultant's assignments. In 2007, the Consultant:

Provided independent competitive market data and advice related to Chief Executive Officer and director compensation, including the development of a group of comparator companies for purposes of competitive benchmarking;  
Reviewed management-developed market data and recommendations on the design of executive compensation programs;  
Reviewed Capital One's compensation levels, performance and the design of incentive programs; and  
Provided information on executive and director compensation trends and analyses of the implications of such trends for Capital One.

The Consultant generally attends the Committee meetings upon the Chair of the Committee's request, including executive sessions of the Committee and the independent directors to review and approve the Chief Executive Officer's and the directors' compensation.

The Consultant also is present for Committee meetings during which NEO compensation is discussed and provides an independent perspective regarding NEO compensation practices.

The services provided by the Consultant are limited in scope as described above and Capital One does not use the Consultant for any other services.



**Table of Contents**

2007 Meetings

During 2007, the Compensation Committee met nine times.

***Finance and Trust Oversight Committee***

Description

The Finance and Trust Oversight Committee assists the Board of Directors in overseeing Capital One's management of liquidity, capital and financial risks, as well as the trust activities of Capital One, National Association, a subsidiary of Capital One.

Key Responsibilities

- Monitor Capital One's significant capital and funding transactions;
- Monitor liquidity and financial risks, as well as Capital One's fiduciary activities and exposures;
- Oversee Capital One's debt funding and capital programs;
- Oversee management and monitor execution of Capital One's wholesale and retail funding plans;
- Recommend the payment of dividends on Capital One's common stock to the Board of Directors;
- Exercise general oversight of the trust activities of Capital One's subsidiary banks; and
- Report on the Committee's oversight of market and liquidity risks to the Audit and Risk Committee annually.

2007 Meetings

During 2007, the Finance and Trust Oversight Committee met six times.

**Committee Membership**

The table below provides a summary of the Board's current Committee structure, membership and related information.

	Chair	Member	Audit Committee Financial	
	Expert			
	<div style="border: 1px solid black; background-color: #cccccc; padding: 5px; width: 100px; margin: 0 auto;"> <b>Audit and Risk Committee</b> </div>	<div style="border: 1px solid black; background-color: #cccccc; padding: 5px; width: 100px; margin: 0 auto;"> <b>Compensation Committee</b> </div>	<div style="border: 1px solid black; background-color: #cccccc; padding: 5px; width: 100px; margin: 0 auto;"> <b>Finance and Trust Oversight Committee</b> </div>	<div style="border: 1px solid black; background-color: #cccccc; padding: 5px; width: 100px; margin: 0 auto;"> <b>Governance and Nominating Committee</b> </div>
E.R. Campbell				
W. Ronald Dietz				
Patrick W. Gross				
Ann Fritz Hackett				
Lewis Hay, III				
Pierre E. Leroy				
Mayo A. Shattuck, III				

Stanley I. Westreich

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## **Table of Contents**

### **Director Nomination Process**

The Governance and Nominating Committee considers and makes recommendations to the Board concerning nominees to create or fill open positions within the Board. It is Capital One's policy that stockholders may propose nominees for consideration by the Committee by submitting the names and other relevant information to the Corporate Secretary, with a copy to the Chair of the Committee, at the address set forth on the Notice of Annual Stockholder Meeting.

Director candidates, other than current directors, may be interviewed by the Chair of the Governance and Nominating Committee, other directors, the Chief Executive Officer and/or other members of senior management. The Committee considers the criteria described below, as well as the results of interviews and any background checks the Committee deems appropriate, in making its recommendation to the Board. The Committee also considers current directors for re-nomination in light of the criteria described below and their past and potential contributions to the Board.

### ***Consideration of Director Nominees***

All director candidates, including those recommended by stockholders, are evaluated on the same basis. These criteria are as follows:

Candidates will represent diversity of experience and possess a strong educational background, substantial tenure and breadth of experience in leadership capacities, and business and financial acumen;

Candidates may also be selected for their background relevant to the Company's business strategy, their understanding of the intricacies of a public company, their international business background, and for their experience in risk management; and

Other relevant criteria may include a reputation for high personal and professional ethics, integrity and honesty, good character and judgment, the ability to be an independent thinker, diversity of background and perspective and an inquisitive and objective viewpoint.

The Board considers each nominee in the context of the Board as a whole, with the objective of assembling a Board that can best maintain the success of Capital One's business.

### **How to Contact the Board and the Presiding Director**

Interested parties may make their concerns known to the Board or non-management directors as a group by contacting the Presiding Director, care of the Corporate Secretary, at the address below:

**Chair of the Governance and Nominating Committee**

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

**Capital One Financial Corporation**

**1680 Capital One Drive**

**McLean, Virginia 22102**

Communications may also be sent to individual directors at the same address.

The Corporate Secretary reviews all communications sent to the Board, Committees or individual directors and forwards all substantive communications to the appropriate parties. Communications to the Board, the non-management 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 and Risk Committee and Capital One's Chief Internal Auditor, Mr. James Tietjen. Other communications are referred to the Presiding Director, the Chair of the appropriate Committee, and/or the specified director, as applicable.

**Information about our Directors and Executive Officers**

Capital One's current executive officers and directors, who are nominated for election or who are continuing to serve their terms after the Annual Meeting, are listed below with a brief description of their business experience for the past five years.

**Table of Contents**

**Directors**

*Richard D. Fairbank, 57*

*Chairman, Chief Executive Officer and President*

Mr. Fairbank has been Chairman of the Board of Directors of Capital One since February 28, 1995. He has been Chief Executive Officer and a director since July 26, 1994 and has additionally served as President since April 24, 2003. Mr. Fairbank is also Chairman of the Board of Directors of Capital One Bank (USA), National Association and Capital One, National Association.

*W. Ronald Dietz, 65*

*Director*

Mr. Dietz is a director and President of W.M. Putnam Company, a nationwide provider of outsourced facilities management services to companies with networks of offices or retail stores. Mr. Dietz joined W.M. Putnam Company in January 2002. He has been a director of Capital One since February 28, 1995. Mr. Dietz is also a director of Capital One, National Association.

*Ann Fritz Hackett, 54*

*Director*

Ms. Hackett has been President of Horizon Consulting Group, LLC, since 1996. Horizon Consulting Group provides strategic, organizational and human resources advice to clients. Ms. Hackett has been a director of Capital One since October 27, 2004, and is a director of Capital One Bank (USA), National Association. Ms. Hackett also is a director of Fortune Brands, Inc.

*Edward R. Bo Campbell, 67*

*Director*

Mr. Campbell is the president of various oil and gas, and land and timber investment partnerships. He has been a director of Capital One since December 1, 2006, and served as a director of Hibernia Corporation from 1994 until its acquisition by Capital One on that date. Mr. Campbell is also a director of Capital One, National Association.

*Patrick W. Gross, 63*

*Director*

Mr. Gross is Chairman of The Lovell Group, a private business and technology advisory and investment firm. Mr. Gross was a founder of, and served as a principal executive officer from 1970 to 2002 at American Management Systems, Inc., ( AMS ), an information technology, consulting, software development and systems integration firm. He has been a director of Capital One since February 28, 1995. He is also a director of Capital One, National Association. Mr. Gross also is currently a director of Waste Management, Inc., Career Education Corporation, Liquidity Services, Inc. and Taleo Corporation.

*Lewis Hay, III, 52*

*Director*

Mr. Hay has been Chairman and Chief Executive Officer of FPL Group, Inc., an organization focused on energy related products and services, since January 2002. He joined FPL Group, Inc. in 1999 as Vice President, Finance and Chief Financial Officer and became President of FPL Energy, LLC in March 2000. He became CEO of FPL Group in June 2001. He has been a director of Capital One since October 31, 2003. He is also a director of Capital One Bank (USA), National Association and Capital One, National Association. Mr. Hay is also a director of Harris Corporation.



**Table of Contents**

*Pierre E. Leroy, 59*

*Director*

Mr. Leroy served in a variety of positions at Deere & Company from 1976 to 2005 including as president of the Worldwide Construction & Forestry Division, president of the Worldwide Parts Division, and as an officer of the company. Mr. Leroy became a director of Capital One in 2005. Mr. Leroy also is a director of Capital One, National Association. Mr. Leroy serves on the Board of Directors for Fortune Brands and as the Presiding Director for ACCO Brands.

*Stanley Westreich, 71*

*Director*

Mr. Westreich was President of Westfield Realty, Inc., a real estate development and construction company, from 1965 to 2005. He has been a director of Capital One since July 26, 1994. Mr. Westreich is also a director of Capital One Bank (USA), National Association.

*Mayo A. Shattuck, III, 53*

*Director*

Mr. Shattuck has been President and Chief Executive Officer of Constellation Energy Group, a leading supplier of electricity to large commercial and industrial customers, since November 2001 and was elected Chairman of the Board in July 2002. Previously, Mr. Shattuck was Co-Chairman and Co-Chief Executive Officer of DB Alex. Brown, LLC and Deutsche Banc Securities, Inc. He has been a director of Capital One since October 31, 2003. Mr. Shattuck also serves as a director of Gap, Inc.

**Executive Officers**

*Robert M. Alexander, 43*

*Chief Information Officer and Head of Enterprise Customer Management*

Mr. Alexander joined Capital One in April 1998 and became Chief Information Officer and Head of Enterprise Customer Management in May 2007. Mr. Alexander is responsible for overseeing all technology activities for Capital One as well as Capital One's customer-centric strategy. Prior to his current role, Mr. Alexander had responsibility at various times for a number of Capital One's lending businesses, including the US Consumer Credit Card and Installment Loan businesses.

*John G. Finneran, Jr., 58*

*General Counsel and Corporate Secretary*

Mr. Finneran joined Capital One in September 1994. He is General Counsel and Corporate Secretary and is responsible for managing Capital One's legal, governmental affairs, corporate governance, brand, regulatory relations and corporate affairs departments. He also

*Jory A. Berson, 37*

*President, Financial Services*

Mr. Berson joined Capital One in 1992 and became President, Financial Services in December 2007. Prior to his current role, Mr. Berson served as President, U.S. Card and in a variety of other roles in Capital One's credit card business.

*Gary L. Perlin, 56*

*Chief Financial Officer, Principal Accounting Officer*

Mr. Perlin joined Capital One in July 2003. He is the Chief Financial Officer of Capital One and is responsible for Capital One's corporate finance, corporate accounting and reporting, planning and financial risk management, treasury and investor relations functions. Mr. Perlin also serves as a director of Capital One, National Association and of Capital One Bank (USA), National Association. From 1998 to

manages Capital One's internal audit department for administrative purposes.

July 2003, Mr. Perlin served as Senior Vice President and Chief Financial Officer of the World Bank.

**Table of Contents**

***Lynn A. Pike, 51***

***President, Banking***

Ms. Pike joined Capital One in April 2007 as Chief Operating Officer for the Banking Segment and became President, Banking in August 2007. Ms. Pike also serves as a director of Capital One, National Association. Ms. Pike has over 30 years of banking and community development expertise. She joined Capital One from Bank of America Corporation, where she served from April 2004 to April 2007 as president of Business Banking and as president of Bank of America California. Prior to joining Bank of America, Ms. Pike served from May 2002 to April 2004 as managing director of Consumer Banking & Distribution for FleetBoston. Prior to her employment with FleetBoston, Ms. Pike served as regional president for Wells Fargo Bank's Los Angeles Metropolitan Division.

***Ryan M. Schneider, 38***

***President, Card***

Ryan Schneider joined Capital One in December 2001 and became President, Card in December 2007. Mr. Schneider is responsible for all of Capital One's consumer credit card lines of business, including those in the US, the UK and Canada. Prior to his current role, Mr. Schneider has held a variety of positions including President, Auto Finance and Executive Vice President, US Card Upmarket. Mr. Schneider also serves as a director of Capital One Bank (USA), National Association.

***Peter A. Schnall, 44***

***Chief Risk Officer***

Mr. Schnall joined Capital One in August 1996. He is Chief Risk Officer and is responsible for overseeing Capital One's credit, compliance, operational and enterprise risk management functions. Mr. Schnall has served as Chief Risk Officer since June 2006. From October 2002 until 2006, he served as Chief Credit Officer. Prior to that appointment, Mr. Schnall held a series of positions within Capital One's credit card business, including marketing, credit, and portfolio management.

***Matthew W. Schuyler, 42***

***Chief Human Resources Officer***

Mr. Schuyler joined Capital One in April 2002 and has been Chief Human Resources Officer since April 2003. Mr. Schuyler is responsible for Capital One's people strategy, recruitment efforts, development programs, human capital initiatives and real estate portfolio. From June 2000 to April 2002, Mr. Schuyler was a Vice President of Human Resources at Cisco Systems.

**Table of Contents****SECTION III SECURITY OWNERSHIP****Security Ownership of Certain Beneficial Owners**

Based on Schedule 13G filings submitted to the SEC, Capital One was aware of the following beneficial owners of more than 5% of Capital One's outstanding common stock.

<b>Name and Address</b>	<b>Amount and Nature of Beneficial Ownership (1)</b>	<b>Percent of Class</b>
Dodge & Cox (2)		
555 California Street, 40th Floor	39,238,294	10.2%
San Francisco, CA 94104		
Wellington Management Company, LLP (3)		
75 State Street	21,818,578	5.85%
Boston, MA 02109		
Capital Research Global Investors (4)		
333 South Hope Street	21,159,200	5.5%
Los Angeles, CA 90071		

- (1) Beneficial ownership is determined under Securities and Exchange Commission (SEC) Rule 13d-3(d)(1). The information contained in this table is based on Schedule 13G reports filed with the SEC and the ownership interests indicated are current only as of the dates of filing with the SEC, as indicated below.
- (2) On a Schedule 13G (Amendment No. 4) filed on January 10, 2008, Dodge & Cox reported beneficial ownership as of December 31, 2007 of 39,238,294 shares of Capital One's common stock, which positions in the aggregate represented 10.2% of Capital One's outstanding common stock as of December 31, 2007. The securities reported on this Schedule 13G are beneficially owned by clients of Dodge & Cox, which clients may include investment companies registered under the Investment Company Act and/or employee benefit plans, pension funds, endowment funds or other institutional clients. Dodge & Cox certified in its Schedule 13G (Amendment No. 4) that the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect.
- (3) On a Schedule 13G filed on February 14, 2008, Wellington Management Company, LLP reported beneficial ownership as of December 31, 2007 of 21,818,578 shares of Capital One's common stock, which positions in the aggregate represented 5.85% of Capital One's outstanding common stock as of December 31, 2007. The securities as to which this Schedule is filed by Wellington Management, in its capacity as investment adviser, are owned of record by clients of Wellington Management. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. No such client is known to have such right or power with respect to more than five percent of this class of securities. Wellington Management Company, LLP certified in its Schedule 13G that the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

(4)

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On a Schedule 13G filed on February 12, 2008, Capital Research Global Investors reported beneficial ownership as of December 31, 2007 of 21,159,200 shares of Capital One's common stock, which positions in the aggregate represented 5.5% of Capital One's outstanding common stock as of December 31, 2007. One or more clients of Capital Research Global Investors have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Common Stock of Capital One Financial Corporation. Capital Research Global Investors certified in its Schedule 13G that the shares of common

**Table of Contents**

stock were acquired and held in the ordinary course of business and were not acquired nor held for the purpose of or with the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

**Security Ownership of Directors and Named Executive Officers**

The following table lists the beneficial ownership of Capital One's common stock, as of January 31, 2008, by our directors and the Named Executive Officers (the "NEOs") (as defined herein).

Name	Number of Shares or Units			Total Amount and Nature of Beneficial Ownership (1)	Percent of Class (2)
	Common Stock	Unvested Restricted Stock	Stock issuable upon exercise of Options within 60 days		
Richard D. Fairbank	2,451,062	0	5,009,820	7,568,384 (3)	2.03%
Gary L. Perlin	0	43,484	298,153	341,637	*
John G. Finneran, Jr.	46,432	19,750	180,919	247,101	*
Peter A. Schnall	35,884	25,811	273,026	334,721	*
David R. Lawson	38,242	23,908	150,574	242,117 (4)	*
John A. Kanas	0	0	214,928	214,928	*
E. R. Campbell	481,914	0	1,010	853,760 (5)	*
W. Ronald Dietz	5,019	0	116,000	121,019 (6)	*
Patrick W. Gross	7,539	0	150,400	157,939 (7)	*
Ann Fritz Hackett	15,000	0	1,840	16,840 (8)	*
Lewis Hay, III	270	0	14,600	16,488 (9)	*
Pierre E. Leroy	2,400	0	6,400	8,800 (10)	*
Mayo A. Shattuck, III	1,589	0	14,800	16,389 (11)	*
Stanley Westreich	434,929	0	123,600	714,529 (12)	*
All directors and executive officers as a group (19 persons)	3,614,960	201,023	7,088,748	11,564,180 (13)	3.10%

\* Less than 0.5% of the outstanding shares of common stock.

(1) To Capital One's knowledge, all executive officers and directors beneficially own the shares shown next to their names either in their sole names or jointly with their spouses, unless we have indicated otherwise. The column "Total Amount and Nature of Beneficial Ownership"

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includes: (i) shares of common stock; (ii) shares of common stock subject to options (stock options) and shares of restricted stock and restricted stock units granted under Capital One's 1994 Stock Incentive Plan (the 1994 Stock Incentive Plan), Capital One's 1999 Stock Incentive Plan (the 1999 Stock Incentive Plan), Capital One's 1995 Non-Employee Directors Stock Incentive Plan (the 1995 Directors Plan), Capital One's 1999 Non-Employee Directors Stock Incentive Plan (the 1999 Directors Plan) and Capital One's 2004 Stock Incentive Plan (the 2004 Stock Incentive Plan), that are or will become exercisable or that are or will be vested within 60 days of January 31, 2008; and (iii) shares of common stock held by the executive officer

**Table of Contents**

under Capital One's 1994 Associate Stock Purchase Plan or 2002 Associate Stock Purchase Plan (the "Stock Purchase Plans"). Shares of restricted stock have voting rights but are not transferable until the end of the period of restriction.

- (2) All percentage calculations are based on the number of shares of common stock issued and outstanding on January 31, 2008, which was 372,984,407.
- (3) Includes 107,502 shares owned by Fairbank Morris, Inc. Mr. Fairbank shares voting and investment power for these shares.
- (4) Includes 29,393 shares owned by the Lawson Family Trust, for which Mr. Lawson holds voting and investment power. Does not include 14,320 shares held in trust for Mr. Lawson's family members for which Mr. Lawson disclaims beneficial ownership.
- (5) Includes 181,486 shares owned by Campbell Capital, LLC, 181,486 shares owned by Campbell Capital II, LLC and 7,864 shares owned by the E.R. Campbell Family Foundation for which Mr. Campbell holds voting and investment power. Does not include 56,355 shares held in a Grantor Retained Annuity Trust, of which Mr. Campbell is not a trustee, and 5,196 restricted stock units for which Mr. Campbell disclaims beneficial ownership of the underlying shares until their delivery date. Delivery of any shares of common stock underlying a director's restricted stock units is deferred until the director's service with the Board ends.
- (6) Does not include 6,776 restricted stock units for which Mr. Dietz disclaims beneficial ownership of the underlying shares until their delivery date and 910 shares held in trust for Mr. Dietz's child for which Mr. Dietz also disclaims beneficial ownership. Delivery of any shares of common stock underlying a director's restricted stock units is deferred until the director's service with the Board ends.
- (7) Does not include 6,776 restricted stock units for which Mr. Gross disclaims beneficial ownership of the underlying shares until their delivery date. Delivery of any shares of common stock underlying a director's restricted stock units is deferred until the director's service with the Board ends.
- (8) Does not include 7,426 restricted stock units for which Ms. Hackett disclaims beneficial ownership of the underlying shares until their delivery date, and 5,000 shares held by Ms. Hackett's spouse for which Ms. Hackett disclaims beneficial ownership. Delivery of any shares of common stock underlying a director's restricted stock units is deferred until the director's service with the Board ends.
- (9) Includes 1,618 shares held by the Hay Family Limited Partnership, for which Mr. Hay holds voting and investment power. Does not include 7,616 restricted stock units for which Mr. Hay disclaims beneficial ownership of the underlying shares until their delivery date. Delivery of any shares of common stock underlying a director's restricted stock units is deferred until the director's service with the Board ends.
- (10) Does not include 5,776 restricted stock units for which Mr. Leroy disclaims beneficial ownership of the underlying shares until their delivery date. Delivery of any shares of common stock underlying a director's restricted stock units is deferred until the director's service with the Board ends.
- (11) Does not include 6,776 restricted stock units for which Mr. Shattuck disclaims beneficial ownership of the underlying shares until their delivery date. Delivery of any shares of common stock underlying a director's restricted stock units is deferred until the director's service with the Board ends.



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- (12) Includes 156,000 shares held in trust, for which Mr. Westreich is the trustee and ultimate beneficiary. Does not include 6,776 restricted stock units for which Mr. Westreich disclaims beneficial ownership of the underlying shares until their delivery date and 67,590 shares held by Mr. Westreich's spouse and for which Mr. Westreich disclaims beneficial ownership. Delivery of any shares of common stock underlying a director's restricted stock units is deferred until the director's service with the Board ends.
  
- (13) Includes 7,044,317 shares issuable upon the exercise of options for all directors and executive officers as a group and 460,813 shares of common stock subject to trading restrictions. Does not include the shares set forth in footnotes (3) through (12) above for which the NEOs and Directors disclaim beneficial ownership or a total of 140,940 shares held by or in trust for various family members of other executive officers, and for which such executive officers disclaim beneficial ownership.

**Table of Contents**

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

Section 16(a) of the Securities Exchange Act of 1934 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 2007 each of the reporting persons complied with these filing requirements.

## **Table of Contents**

### **SECTION IV DIRECTOR COMPENSATION**

#### **Director Compensation Objectives**

Compensation for non-employee directors ( directors ) is approved by the Board of Directors, based on recommendations made by the Compensation Committee. Capital One s director compensation program is designed to achieve four primary objectives:

- Attract and retain talented directors, with the skills and capabilities necessary 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; and
- Align directors interests with the long-term interests of Capital One stockholders.

Employee directors do not receive compensation for their service on the Board. Capital One had two employee directors in 2007: Mr. Fairbank and Mr. Kanas. Mr. Kanas Board service ended on August 6, 2007.

#### **Director Compensation Procedures**

The Compensation Committee reviews the compensation program for Capital One s directors on an annual basis. In support of this, the Committee s independent consultant provides competitive compensation data and program recommendations to the Committee for review. (Please see Section II for details on the role and responsibilities of the consultant.) The competitive compensation data includes the compensation (cash, equity and other benefits) of non-employee directors within our comparator group. (Please see Section V for details on the development of the comparator group.) The Committee considers this information, as well as the independent consultant s recommendations, and finalizes a proposed compensation structure. The proposed structure is then reviewed and approved by the full Board of Directors, typically in April of each year.

Based on their review of competitive market data and guidance from the consultant in the second quarter of 2007, the Committee determined that the existing director compensation program (approved in April 2005) continues to meet Capital One s objectives and provides an appropriate level of compensation.

#### **Director Compensation Structure**

Each director serving on the Board on April 26, 2007 received an annual cash retainer of \$70,000. In addition, cash retainers were provided for service on a committee (see details and amounts below). Each non-employee director also received an annual award of \$170,000 in restricted stock units ( RSUs ) of Capital One common stock, granted on April 26, 2007.

Each non-employee director was offered the opportunity to elect to forego his or her cash compensation from April 2007 through April 2008 in exchange for a one-time grant of non-qualified stock options with an equivalent Black-Scholes value, granted on April 26, 2007. Messrs. Gross, Hay, Leroy, Shattuck, and Westreich elected to forego their cash compensation in favor of such stock options.

#### **Other Benefits**

Directors also received reimbursement of their expenses to attend meetings, which on occasion included expenses of their spouses. In 2007, directors did not receive any additional compensation beyond what is disclosed below other than reimbursement of taxes arising from certain income attributable to them in connection with the attendance of a spouse or guest at the Board s annual strategic offsite meeting. Capital One also offered directors the opportunity to direct up to \$10,000 annually to be contributed by Capital One to a charitable organization of their choice. All directors elected to make charitable contributions in 2007. All other compensation includes a nominal gift and tax gross-ups.

Under the 1994 Deferred Compensation Plan, directors who are not employees of Capital One may voluntarily defer all or a portion of their cash compensation and receive deferred income benefits. Directors accounts are



**Table of Contents**

credited monthly with an interest rate equivalent to an amount determined by Capital One based on the performance of the portfolio selected by each director. Directors may elect for their deferrals to be credited based on the MetLife Stock Index Class A Portfolio and/or the BlackRock Bond Income Class A Portfolio. Deferred amounts are not invested directly in these mutual funds but the balance and related earnings are credited monthly by Capital One. In 2007, year to date earnings on these funds was 5.66% for the Bond Portfolio and 4.61% for the Stock Portfolio. Directors that elected this deferral will begin to receive their deferred income benefits in cash when they cease to serve as directors, or earlier if authorized by the Compensation Committee. Upon a change in control of Capital One, Capital One will pay to each director within thirty days of the change in control, a lump sum cash payment equal to such director's account balance as of the date of the change in control. In 2006, Mr. Westreich elected to defer his May 2006 - April 2007 cash compensation under this Plan. In 2007, no directors elected to defer any compensation.

**Stock Ownership Requirements**

Directors are expected to retain all shares of restricted stock and all shares underlying restricted stock units granted to them by Capital One until their service with the Board ends. The Board evaluates whether exceptions should be made for any case where this requirement would impose a financial hardship on a director. All directors are in compliance with this requirement.

**Compensation of Directors**

Directors of Capital One received the following compensation for 2007:

Name	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Option Awards (3)	All Other Compensation (4)	Total
E.R. Campbell	\$90,000	\$172,907		\$3,578	\$266,485
W. Ronald Dietz	\$120,000	\$172,907		\$2,109	\$295,016
Richard D. Fairbank (*)					
Patrick Gross		\$172,907	\$129,234	\$3,707	\$305,848
Ann Fritz Hackett	\$130,000	\$187,945	\$25,352	\$324	\$343,621
Lewis Hay III		\$172,907	\$106,618	\$354	\$279,879
John Adam Kanas (*)					
Pierre Leroy		\$172,907	\$126,130	\$4,609	\$303,646
Mayo Shattuck III		\$172,907	\$105,281	\$368	\$278,556
Stanley Westreich		\$172,907	\$61,241	\$377	\$234,525

(\*) Capital One had two employee directors in 2007: Mr. Fairbank and Mr. Kanas. Mr. Kanas' Board service ended on August 6, 2007.

(1) Each non-employee director is eligible to receive an annual cash retainer of \$70,000. Compensation for committee service includes retainers for service as chairperson and/or as a member of the committees as described under the heading "Committee Membership" in the Governance of Capital One section of this proxy statement. In 2007, retainers were paid as follows:

i Chair of the Audit and Risk Committee: \$40,000

**Table of Contents**

- i Chair of the Compensation Committee or Chair of the Governance and Nominating Committee: \$20,000
- i Chair of the Finance and Trust Oversight Committee: \$15,000
- i Member of the Audit and Risk Committee (other than the chair): \$30,000
- i Member of the Compensation Committee, Governance and Nominating Committee, or Finance and Trust Oversight Committee (other than the chair): \$10,000

- (2) Directors serving on the Board on April 26, 2007 received a grant of 2,276 RSUs of Capital One common stock with a grant date fair value of \$170,063 under 1999 Directors Plan. The RSUs were valued at \$74.72, which was the common stock fair market value on the date of grant. The RSUs vest one year from the date of grant, however, delivery of the underlying shares is deferred until a director's service with the Board ends. This column includes the current year's expense for those grants as well as for any other grants that were outstanding and unvested at December 31, 2007.
- (3) Each director is given the opportunity to elect to forego his or her cash compensation each year in exchange for a grant of nonqualified stock options under the 1999 Directors Plan with an equivalent Black-Scholes value. In 2007, Messrs. Gross, Hay, Leroy, Shattuck, and Westreich elected to forego their cash compensation in favor of stock options and received options as set forth in the table below. These options have an exercise price of \$74.72.

Stock-based compensation expense was recorded throughout 2007 in accordance with FAS 123 (R) for all stock option grants outstanding as of January 1, 2007. The FAS 123 (R) Black-Scholes value for each option award granted on April 26, 2007, was determined using the following assumptions:

Volatility	Risk-Free Interest Rate	Dividend Yield	Expected Term
27%	4.65%	0.14%	7 Years

The compensation amounts reflected in the table above do not include a reduction for forfeiture.

The options vest one year from the grant date or upon a change in control of Capital One or if the director's termination of service (other than removal for cause, as defined in their respective award agreements) occurs prior to the one-year anniversary of the grant date. The options expire ten years from the date of grant. Upon termination from Board service, (other than by removal for cause), a director will have five years or the remainder of the remaining full option term, whichever is shorter, to exercise the vested stock options.

The Company recognizes an expense for stock options evenly over the vesting period in accordance with FAS 123 (R). The amounts shown in this column correspond to amounts expensed by the Company in 2007 with respect to options granted to directors in 2007 and prior years.

Stock options awarded in 2007 to each director are as follows:

Director	Grant Date	Number of Stock Options Outstanding	Grant Date Fair Value
Patrick Gross	4/26/2007	4,098	\$120,001
Lewis Hay III	4/26/2007	3,586	\$105,008
Pierre Leroy	4/26/2007	4,098	\$120,001
Mayo Shattuck III	4/26/2007	3,415	\$100,001
Stanley Westreich	4/26/2007	3,074	\$90,015

- (4) All other compensation includes a nominal gift, spousal travel and related tax gross-ups.





**Table of Contents****SECTION V COMPENSATION DISCUSSION AND ANALYSIS****Executive Summary**

Capital One's executive compensation program is designed to attract, retain and motivate leaders who have the ability to foster strong business results and ensure the long-term success of the Company. Executives' rewards are strongly linked to the delivery of long-term returns to our stockholders, the achievement of short- and long-term financial and strategic business objectives, individual performance and the demonstration of competencies that are aligned with our values.

The Compensation Committee of the Board of Directors (the Committee) is responsible for developing, monitoring, managing and adjusting the compensation and benefit plans for all of our executive officers, including our Named Executive Officers (NEOs). Final decisions regarding NEO compensation are made by all of our independent directors.

This section outlines Capital One's executive compensation philosophy, the structural features of our executive compensation program, and the specific decisions made in 2007 with respect to the compensation of our CEO and other NEOs. While each aspect of our program is discussed in detail, it is important to note that our CEO continues to participate in a performance-based compensation arrangement that is comprised almost exclusively of a long-term equity award in lieu of any cash compensation. We believe this approach to compensation is the most effective way to ensure that the interests of our CEO are completely aligned with the interests of our stockholders. It also serves as an important symbol of our pay-for-performance culture.

In 2007, Capital One's NEOs focused on several key strategic initiatives. These included:

- Integrating our Banking businesses to further our transformation into a diversified financial services institution;
- Executing on a Company-wide cost management initiative;
- Reorganizing the Company's business lines to create greater scale and efficiency and to align the management structure with key business objectives;
- Recruiting executive talent to ensure the highest quality leadership in key roles;
- Guiding the Company during the disruption in the capital markets, particularly in the secondary mortgage market, and the challenging economic environment;
- Augmenting our credit risk management practices in light of the evolving competitive and economic environment;
- Generating strong revenue growth and focusing on achieving strong returns; and
- Taking decisive action to ensure that the Company maintains a strong balance sheet while positioning the Company to return excess capital to stockholders.

To support these initiatives, compensation decisions in 2007 were specifically intended to balance long-term performance goals with a sharp focus on near-term objectives. Decisions were also intended to attract and retain executives with deep industry experience and to foster teamwork and cross-organizational decision making amongst our senior executives.

**Objectives of our Executive Compensation Programs**

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

***Strongly link rewards with both business and individual performance***

Capital One emphasizes pay-for-performance at all organizational levels. As an executive's level of responsibility increases, so too does the proportion of the executive's pay that is subject to performance criteria. Therefore, our CEO and other NEOs have the highest relative portion of their pay directly linked to performance. For our CEO, this was approximately 100% of 2007 compensation, and for our other NEOs, this was approximately 85% of 2007 compensation. Awards are tied to the achievement of Company and individual performance objectives, as well as to the demonstration of specific leadership competencies that are assessed through a comprehensive performance management process.

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## **Table of Contents**

### ***Ensure that total compensation emphasizes a balance of both short- and long-term performance***

Our compensation programs are structured to encourage our executives to deliver strong short-term results while making decisions that create sustained value for our stockholders over the long-term. For NEOs other than the CEO, approximately 30% of total compensation is linked to annual performance goals, while approximately 55% is provided through long-term incentives with multi-year vesting terms. Long-term incentives are delivered through equity-based awards, typically a combination of stock options and restricted stock, which ensure that the ultimate value realized by executives is directly linked to the performance of our stock over time. The remaining 15% of NEO's compensation is provided through base salary.

### ***Attract and retain top executive talent***

To attract, retain and motivate exceptional leaders, we believe that compensation opportunities at Capital One must be highly competitive with respect to our marketplace for talent. Therefore, we establish target compensation opportunities that are generally at or above the median for comparable roles in the marketplace.

### ***Align our executive's interests with those of our stockholders***

Our compensation program gives NEOs a significant stake in the success of our Company by awarding a majority of their compensation through equity-based awards that vest over the long-term. In addition, we have established specific stock holding requirements that our NEOs must meet on an annual basis.

## **Criteria and Process for Compensation Decisions**

The Committee considers a number of factors in making compensation decisions with respect to our NEOs. The Committee relies on a range of objective data including Company performance data, peer group performance data, historical pay information, data on specific market practices and trends, and other relevant points of information to inform their business judgment. In applying its judgment, the Committee works to effectively balance the objectives of our compensation programs.

### ***Use of Outside Consultants for CEO Compensation***

To support their deliberations on CEO compensation, the Committee uses an outside consultant from Frederic W. Cook & Co. This consultant assists the Committee in a number of ways, including proposing and evaluating a comparator group, gathering relevant compensation data from the comparator organizations, discussing relevant market trends and context, and developing final recommendations. See Section II for additional information about Frederic W. Cook & Co.

### ***Use of Outside Consultants for Other NEO Compensation***

The Chief Human Resources Officer and other members of the Company's Human Resources Department assist the CEO in developing compensation recommendations for the other NEOs. In support of this process, the Human Resources department uses external consultants as sources of market compensation data. On an ad-hoc basis, these consultants also provide information on market practices or trends, research reports, or subject matter expertise on specific concepts or technical issues related to executive compensation. After considering all of the information provided by the Human Resources department and the Chief Human Resources Officer, the CEO makes his recommendations to the Committee. While neither the CEO nor the Human Resources department has a contractual arrangement with any compensation consultant to determine or recommend compensation programs for our NEOs, the Committee's outside consultant from Frederic W. Cook & Co. is present for Committee meetings during which NEO compensation is discussed and provides an independent perspective regarding NEO compensation practices.

### ***Market Data and Tally Sheets***

In making compensation decisions, the Committee reviews pertinent data from a group of comparator companies within the financial services industry. These organizations are intended to represent the marketplace of companies with whom Capital One competes for business and for executive talent.



**Table of Contents**

As noted above, the Committee's outside consultant plays a lead role in evaluating and adjusting the comparator group on an annual basis. Frederic W. Cook & Co. presents a comprehensive report to the Committee that highlights size, scope and performance information from the comparator companies across a variety of 1, 3, and 5-year metrics. These metrics include:

Revenue;  
 Assets;  
 Market capitalization;  
 Net income;  
 Diluted earnings per share growth;  
 Return on average assets;  
 Return on average equity;  
 Asset growth; and  
 Total stockholder return.

After reviewing this information, the Committee recommends a final comparator group to the independent directors for approval. The comparator group is adjusted each year, as necessary, to ensure the size, scope, performance, and business focus of the comparator companies reflect Capital One's competitive environment. The comparator group consists of the following 18 companies:

American Express	Freddie Mac	SLM Corporation
Bank of America Corporation	J.P. Morgan Chase	SunTrust Bank
BB&T Corporation	KeyCorp	U.S. Bancorp
Citigroup	National City Corporation	Wachovia Corporation
Countrywide Financial Corporation	PNC Financial Services	Washington Mutual
Fifth Third Bancorp	Regions Financial	Wells Fargo & Company

In addition to considering comparator group market data and individual and Company performance information, the Committee also considers information contained on total compensation tally sheets for each NEO. The tally sheets summarize multiple components of current and historical compensation, as well as the potential value of post-termination arrangements. The tally sheets are just one point of information used by the Committee in the process of determining NEO compensation. They help to ensure that the Committee understands the historical context that is relevant to current compensation decisions, such as an NEO's accumulated equity value. The tally sheets also help to ensure that the Committee understands the potential downstream consequences of their decisions, such as the potential value to be received by an NEO upon separation due to a change in control, due to normal retirement, or other termination scenarios.

**Chief Executive Officer Compensation*****Goals and Principles***

The Committee's top priority is to align the interests of our CEO with the interests of our stockholders. To do this, the Committee believes that the CEO should have a high relative proportion of pay at risk. With this in mind, each year the Committee makes recommendations regarding the form, timing and amount of CEO compensation. In making these recommendations, the Committee takes into account both the CEO's historical performance and how to most effectively align our CEO's interests with the interests of our stockholders over the near and long-term. Final decisions regarding CEO compensation are made by all independent directors.

Taking into consideration the uniquely challenging external market for financial services companies, the Committee continues to believe that compensating the CEO in stock options best aligns his financial rewards to the value he delivers to stockholders since he only recognizes value from the stock options if the Company's stock price increases.

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## **Table of Contents**

### ***Timing***

Because the CEO compensation package does not include traditional pay elements such as base salary, annual cash bonus or retirement plan contributions, the Committee awards Mr. Fairbank's compensation in the December immediately preceding the year to which it applies. For example, his compensation for 2007 was awarded in December 2006.

The CEO has no amount of pay-certain compensation and the ultimate compensation value he realizes is dependent solely on our stock price performance over time. For this reason, the Committee continues to believe that awarding CEO compensation at the beginning of the year is appropriate and effectively motivates superior performance.

### ***Compensation Decisions in 2007***

In determining the amount and nature of Mr. Fairbank's 2008 compensation package, which was awarded in December 2007, the Committee considered Mr. Fairbank's individual performance throughout 2007, which was central to numerous strategic accomplishments including:

- Executing on a corporate strategy to integrate our national lending and local banking businesses to take advantage of the stability, funding and balance sheet benefits;

- Reorganizing the Company's business lines to create greater scale and efficiency and to align the management structure with key business objectives;

- Recruiting external talent to ensure the highest quality leadership in key roles;

- Achieving significant operating and capital efficiencies through a Company-wide cost management initiative;

- Taking prudent action to exit certain business lines and focus on our most resilient businesses;

- Making strategic decisions to augment our credit risk management practices in light of the evolving competitive and economic environment;

- Navigating the Company in the recent economic downturn by making decisions that create strong revenue growth, improve our capital and liquidity position, strengthen our balance sheet and position the Company to return excess capital to shareholders in the form of increased dividends.

The Committee also considered the following factors as context for their decisions on CEO pay:

- The total compensation levels of all CEOs in our comparator group, including the median and the 75<sup>th</sup> percentile as reference points, which were approximately \$17 million and \$22 million, respectively;

- The structure of CEO compensation across the comparator organizations, which typically consists of a mix of base salary, annual cash bonus and long-term incentives;

- The performance-based nature of Mr. Fairbank's historical awards, which ensure that he does not realize value without delivering commensurate returns to our stockholders;

- The desire to maintain a strong linkage between pay and performance, particularly in light of the challenging environment;

- Mr. Fairbank's historical compensation value realized, existing stock holdings and remaining unexercised options;

- The impact of Mr. Fairbank's compensation on our share usage and overhang levels; and

- Mr. Fairbank's philosophy that his pay should be at risk based on the Company's performance.

After analyzing all of the above factors, the independent directors awarded Mr. Fairbank a 2008 pay package with a grant date value of \$17 million. This pay package is comprised of stock options that vest in full three years following the grant date. The stock options are awarded in lieu of any salary, annual cash incentive, other cash or equity-based long-term incentives, and retirement plan contributions. The award value translated into a grant of 1,661,780 nonqualified stock options, using the same stock option valuation methodology used by the Company for purposes of recording financial expenses under FAS 123 (R).

## **Table of Contents**

### ***Change Versus Prior Year***

The \$17 million value of Mr. Fairbank's 2008 compensation package is approximately equal to the median CEO pay of our comparator organizations. By comparison, the value of Mr. Fairbank's 2007 compensation package was \$18 million, which was positioned between the median and 75th percentile of CEO pay for our comparator organizations at that time. The reduction in the value of his compensation from 2007 to 2008 reflects a number of factors, including changes in CEO pay levels among the companies in our comparator group, the Committee's expectations for CEO compensation trends in 2008 given the challenging economic environment, and the fact that, in the context of a difficult year for financial services companies, Capital One's returns to shareholders in 2007 were lower than in prior years. Given the performance based nature of Mr. Fairbank's compensation arrangement, the Committee continues to believe that compensating Mr. Fairbank at this level is appropriate since the ultimate value that he realizes is dependent solely on our stock price performance over time.

### ***Additional Pay Elements***

As part of the CEO compensation package, the Directors also approved certain other programs intended to support Mr. Fairbank's productivity and well-being. For both the 2007 and 2008 compensation packages, these included the following.

Executive term life insurance with a benefit level of \$5,000,000; and

The ability to participate in a comprehensive voluntary annual health screening.

In addition to these programs, Capital One provides a designated associate to drive Mr. Fairbank and ensure his personal security, and the business use of a corporate time-share plane. The Committee believes that these are business-related expenses and consistent with what is provided to similarly situated CEOs.

For purposes of Mr. Fairbank's equity ownership requirements, as well as his change in control se