CAPITAL ONE FINANCIAL CORP
Form 11-K
June 28, 2018

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

FORM 11-K

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

For the fiscal year ended December 31, 2017

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from to

Commission File No. 1-13300

CAPITAL ONE FINANCIAL CORPORATION
ASSOCIATE SAVINGS PLAN

CAPITAL ONE FINANCIAL CORPORATION
1680 Capital One Drive
McLean, Virginia 22102

Capital One Financial Corporation Associate Savings Plan
Financial Statements and Supplemental Schedule
Years Ended December 31, 2017 and 2016

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To the Plan Participants and the Plan Administrator
of the Capital One Financial Corporation Associates Savings Plan

Opinion on the Financial Statements

We have audited the accompanying statement of net assets available for benefits of the Capital One Financial Corporation Associate Savings Plan (the Plan) as of December 31, 2017, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2017, and the changes in its net assets available for benefits for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

Supplemental Schedule

The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2017, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The information in the supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Ernst & Young

We have served as the Plan's auditor since 2018.

Tysons, Virginia
June 28, 2018

Report of Independent Registered Public Accounting Firm

To the Administrator of the
Capital One Financial Corporation Associate Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Capital One Financial Corporation Associate Savings Plan (the “Plan”) as of December 31, 2016 and 2015 (2015 not included herein), and the related statements of changes in net assets available for benefits for the years then ended (2015 not included herein). These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Capital One Financial Corporation Associate Savings Plan as of December 31, 2016 and 2015 (2015 not included herein), and the changes in its net assets available for benefits for the years then ended (2015 not included herein) in conformity with accounting principles generally accepted in the United States.

The supplemental information in the accompanying Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2016 (not included herein), has been subjected to audit procedures performed in conjunction with the audit of Capital One Financial Corporation Associate Savings Plan’s financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but include supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedule, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Keiter, Stephens, Hurst, Gary & Shreaves, P.C.

June 23, 2017
Glen Allen, Virginia

Capital One Financial Corporation Associate Savings Plan
Statements of Net Assets Available for Benefits

	December 31, 2017	December 31, 2016
Assets:		
Investments, at fair value	$4,876,760,104	$3,825,246,647
Investments, at contract value	415,300,256	409,017,709
Total investments	5,292,060,360	4,234,264,356
Receivables:		
Notes receivable from participants, maturing through 2032, 3.25%-9% interest rates	130,843,044	116,807,988
Net assets available for benefits	$5,422,903,404	$4,351,072,344

See accompanying Notes to Financial Statements.

Capital One Financial Corporation Associate Savings Plan
Statements of Changes in Net Assets Available for Benefits

	Year Ended December 31,	
	2017	2016
Additions:		
Investment income (loss):		
Net appreciation (depreciation) of investments	$661,701,307	$308,324,680
Interest and dividends on investments	115,478,764	78,274,988
Net investment income (loss)	777,180,071	386,599,668
Interest income on notes receivable from participants	4,540,623	3,665,070
Contributions:		
Employer	268,876,156	239,177,561
Participants	276,771,250	241,581,656
Rollovers	67,947,899	41,388,305
Total contributions	613,595,305	522,147,522
Total additions	1,395,315,999	912,412,260
Deductions:		
Benefits paid to participants	319,820,570	330,854,788
Administrative expenses	3,664,369	3,835,150
Total deductions	323,484,939	334,689,938
Net increase in net assets available for benefits	1,071,831,060	577,722,322
Net assets available for benefits:		
Beginning of year	4,351,072,344	3,773,350,022
End of year	$5,422,903,404	$4,351,072,344

See accompanying Notes to Financial Statements.

Capital One Financial Corporation Associate Savings Plan
Notes to Financial Statements

Note 1—Description of Plan

Effective January 1, 1995, Capital One Financial Corporation (the "Company") established and adopted the Capital One Financial Corporation Associate Savings Plan (the "Plan") for the benefit of its eligible employees.

The Benefits Committee of the Company is the Plan administrator and Fidelity Management Trust Company (the "Trustee") was the Plan trustee for both the 2017 and 2016 plan years.
The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all employees of the Company who are age 18 or older (including any related companies that adopt the Plan). Eligible employees are automatically enrolled in the Plan immediately upon hire unless they elect to opt-out of Plan participation. The Plan is a qualified defined contribution retirement plan with a cash or deferred arrangement under Internal Revenue Code Sections 401(a) and 401(k), respectively, and subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended.

Contributions

Under the Plan, participants can elect to make annual pre-tax and Roth contributions of no more than 50% of their eligible compensation, subject to Internal Revenue Service ("IRS") limitations. The IRS limitation was $18,000 for both 2017 and 2016. Participants who are age 50 or older at the end of a particular calendar year are permitted to make additional elective deferral contributions of $6,000 for both 2017 and 2016. Participants may also contribute amounts representing distributions from other qualified plans as roll-over contributions.

The Company makes contributions to each eligible associates' account and matches a portion of associate contributions. The Company's contributions, which provide for a maximum annual Company contribution of up to 7.5% of eligible compensation, consist of two major components: (1) a basic safe-harbor non-elective contribution and (2) Company matching contributions.

The following table summarizes the Company's contribution structure under the Plan:

Contribution Type	Contribution Structure
1. Basic safe-harbor non-elective contribution	• 3% of eligible compensation
2. Company matching contributions	• Up to 3% of eligible compensation, calculated as 100% Company match on the first 3% of associate deferrals • Up to 1.5% of eligible compensation, calculated as 50% Company match on the next 3% of associate deferrals
Total annual contribution opportunity	• Maximum of 7.5% of eligible compensation

The basic safe-harbor non-elective contribution of 3% of eligible compensation, as defined in the Plan document, is made for all eligible employees regardless of participation in the Plan. In addition, the Company makes matching contributions of up to 4.5% of a participant's eligible compensation. The Company makes "true-up" matching contributions for participants who did not receive the full match to which participants would have been entitled if

Capital One Financial Corporation Associate Savings Plan
Notes to Financial Statements

participants had contributed to the Plan ratably throughout the year. Employees who have made pre-tax and/or Roth contributions to the Plan during the Plan year are eligible for the Company matching contributions. The Company makes contributions on a per-pay period basis and new employees become immediately eligible for the Company’s matching contributions. All Company contributions are cash contributions.

Participant Accounts

Each participant’s account is credited with the participant’s contributions and allocations of the Company’s contributions and Plan earnings. Allocations of Company contributions are determined based on participant contributions or eligible compensation, as defined in the Plan document. Allocations of Plan earnings are determined based upon the number of units of the Plan’s investment options in each participant’s account. The benefit to which a participant is entitled to is the benefit that can be provided from the participant’s vested account as of the date of record.

Vesting

Participant contributions and the Company's basic safe-harbor non-elective contributions vest immediately, along with earnings on those contributions. The Company’s matching contributions plus actual earnings thereon vest after two years of service.

Forfeited Accounts

Excess forfeited balances of terminated participants’ non-vested accounts, after payment of administrative expenses, are used to reduce future Company contributions. Forfeited non-vested accounts totaled $3,900,745 and $4,029,487 as of December 31, 2017 and 2016, respectively. Forfeitures used to reduce certain administrative expenses and Company contributions totaled $1,029,069 and $4,502,139, respectively, in 2017, and $1,211,474 and $3,133,289, respectively, in 2016.

Investment Options

All investments in the Plan are participant-directed. Participants may change their investment options at any time. As of December 31, 2017, the Company offered 29 investment options, which are summarized below:

- BlackRock LifePath Fund (2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060 and Retirement)—Each fund is a broadly diversified portfolio, tailored to the investment horizon of the fund. The name of each fund (e.g., BlackRock LifePath 2020) represents the year during which participants will most likely begin to draw income and/or principal from their investment. The LifePath funds are the default investment choices unless participants choose otherwise. The investment is a "qualified default investment alternative" for purposes of ERISA.

- BlackRock MSCI ACWI ex-U.S. IMI Index Fund—Monies are primarily invested in equity securities included in the MSCI ACWI ex-U.S. IMI Index, which broadly represents the performance of the world's total market capitalization outside of the U.S.

- BlackRock Russell 2500 Index Fund—Monies are primarily invested in common stocks included in the Russell 2500 Index, which broadly represents the performance of small to mid-capitalization companies publicly traded in the U.S.

- BlackRock Strategic Completion Non-Lendable Fund—Monies are primarily invested in inflation-sensitive asset classes, such as U.S. treasury inflation protected securities, real estate investment trusts and commodities.

- BlackRock U.S. Debt Index Fund—Monies are primarily invested in debt securities included in the Barclays Capital U.S. Aggregate Bond Index, which broadly represents the performance of debt securities publicly traded in the U.S.

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- Capital One Stock Fund—Monies are invested in a unitized trust fund which primarily invests in shares of the Company’s common stock, as well as in short-term investments to provide for the Capital One Stock Fund's estimated liquidity needs.
- Dodge & Cox Balanced Fund—Monies are primarily invested in a diversified mix of common and preferred stocks and investment-grade bonds, generally rated in the highest four rating categories.
- Dodge & Cox International Stock Fund—Monies are primarily invested in equity securities of companies outside of the U.S. from at least three different foreign countries, including emerging markets.
- Fidelity 500 Index Fund (Institutional Premium Class)—Monies are primarily invested in common stocks included in the S&P 500 Index, which broadly represents the performance of common stocks publicly traded in the U.S.
- Fidelity BrokerageLink—This self-directed option allows participants to invest in mutual funds and other investment options beyond the investment options offered directly through the Plan.
- Fidelity Capital Appreciation Fund (Class K)—Monies are primarily invested in common stocks. The investment seeks capital appreciation in either growth stocks or value stocks or both.
- Hartford Small Company HLS Fund (Class IA)—Monies are primarily invested in common stocks of small-capitalization companies.
- Lazard Emerging Markets Equity Fund Institutional Shares—Monies are primarily invested in equity securities of companies whose principal business activities are located in emerging markets, with a focus on Latin America, the Pacific Basin and Eastern Europe.
- Northern Small Cap Value Fund—Monies are primarily invested in equity securities of small-capitalization companies.
- Prudential Core Plus Bond Fund (Class 5)—Monies are primarily invested in debt securities meant to outperform the Barclays Capital U.S. Aggregate Bond Index, which broadly represents the performance of debt securities publicly traded in the U.S.
- Stable Value Fund—Monies are invested in a diversified portfolio of investment contracts issued by high quality insurance companies and banks, with each contract carrying a crediting rate of interest and backed by high quality securities.
- T. Rowe Price Institutional Large Cap Growth Fund—Monies are primarily invested in securities of large-capitalization companies believed to offer the potential for above-average earnings growth.
- T. Rowe Price Institutional Large Cap Value Fund—Monies are primarily invested in a diversified portfolio of equity investments in large-capitalization U.S. issuers with public stock market capitalizations within the range of the market capitalization of companies constituting the Russell 1000 Value Index.
- Vanguard Total World Stock Index Fund Institutional Shares—Monies are primarily invested in common stocks included in the FTSE Global All Cap Index, which broadly represents the performance of the world's total market capitalization in both developed and emerging markets.

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Capital One Financial Corporation Associate Savings Plan
Notes to Financial Statements

- WTC-CIF II Mid Cap Opportunities (Series 3)—Monies are primarily invested in common stocks of mid-capitalization companies.

Notes Receivable from Participants

Participants may elect to borrow from their fund accounts a minimum of $1,000 and up to a maximum of the lesser of $50,000 or 50% of their vested account balance. Loan transactions are treated as a transfer from (to) the investment fund to (from) the loan fund. Loan terms typically range from one to five years, but can extend up to ten years if used toward the purchase of a primary residence. The loans are secured by the balance in the participant’s account and bear interest at a fixed rate commensurate with prevailing rates as determined by the Benefits Committee (currently at a rate of Prime plus 2%). Principal and interest are paid ratably through bi-weekly payroll deductions. Management has evaluated notes receivable from participants for collectability and has determined that no allowance is considered necessary.

Payment of Benefits

A participant may elect to receive an amount up to the vested value of his or her account through a lump-sum cash distribution upon the participant’s death, hardship, retirement, termination of service or for other reasons as governed by the Plan document. If the participant has invested in the Capital One Stock Fund, he or she may elect to receive distributions of whole shares of common stock with fractional shares paid in cash.

Administrative Expenses