

# **CAPITAL ONE FINANCIAL CORPORATION**

## **CHARTER OF THE RISK COMMITTEE OF THE BOARD OF DIRECTORS**

### **Purpose**

The Risk Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Capital One Financial Corporation (the “Corporation”) to assist the Board in discharging its oversight of (i) the Corporation’s enterprise-wide risk management framework, including policies and practices established by management to identify, assess, measure and manage key risks facing the Corporation across all of the Corporation’s eight risk categories: strategic, compliance, operational, reputation, legal, credit, market, and liquidity risk; and (ii) management’s specific responsibilities with respect to identification and management of, and planning for, the Corporation’s market risk, liquidity risk, operational risk and credit risk. The Committee shall also perform such other duties as may be specified from time to time as deemed necessary or appropriate to carry out its responsibilities.

References in this Charter to the Corporation shall be deemed to include its depository and non-depository institution subsidiaries and affiliates, unless the context requires otherwise.

The Committee’s primary responsibility is one of oversight of enterprise-wide risk management, and it recognizes that the Corporation’s management is responsible for managing its risk function and for reporting on its processes and assessments with respect to the Corporation’s management of risk. Accordingly, in assisting the Board with its oversight responsibilities with respect to risk management, the Committee may rely on management to assume the primary responsibility for the risk management function at the enterprise level and to ensure risk management policies, procedures and limits are developed throughout each line of business and staff group, as applicable, to achieve desired results. The Committee may also rely on the periodic reports from management or other officers or employees, as appropriate, on the Corporation’s risk management programs and the results of such programs. The Committee may rely, to the fullest extent permitted by law, upon the information, opinions, reports or statements provided by persons within and outside the Corporation from whom the Committee receives such information, opinions, reports or statements.

### **Membership**

The Committee shall consist of three or more directors as determined by the Board. The chair of the Committee (the “Chair”) shall, in the judgment of the Board, meet the criteria for independence as established by the Board in accordance with the New York Stock Exchange listing standards and any other applicable laws, rules or regulations regarding independence as they are in effect from time to time. In addition, one or more members of the Committee will possess risk management experience commensurate with the Corporation’s capital structure, risk profile, complexity, activities, size, and other appropriate risk-related factors.

The members shall be appointed and removed by the Board acting on the recommendation of the Governance and Nominating Committee of the Board. The Board shall have the authority to fill any vacancies and to remove any Committee member for any reason. Either the Board or the Committee shall appoint the chair of the Committee (the “Chair”).

### **Meetings**

The Committee shall meet at least quarterly during the year and at such other times as the Committee or the Chair deems advisable. The Committee may also meet periodically in separate executive sessions, including executive sessions with the Corporation’s Chief Risk Officer, Chief Financial Officer, Chief Internal Auditor, Chief Credit Review Officer, General Counsel, Chief Compliance Officer, and other members of management as it deems appropriate to carry out its responsibilities. The Committee shall report periodically on its deliberations and actions to the Board.

The Committee shall have the authority to meet with other Board committees, or the chairs of those committees, overseeing the Corporation’s management of specific risks.

The Committee may meet in joint session with the Audit Committee of the Board (the “Audit Committee”), or with the chair of the Audit Committee, from time to time to discuss areas of common interest and other significant matters as the Committee deems appropriate. With respect to the Audit Committee and its responsibilities for the oversight of the guidelines and policies governing the processes by which management identifies, assesses and manages risk generally, and specifically with respect to the Audit Committee’s responsibility for the oversight of compliance by the Corporation with legal and regulatory requirements, the committees and the Board acknowledge and agree that the information and reports reviewed by the Committee and the Audit Committee may each be of interest to the other and should be provided to the other as appropriate.

Each committee of the Board oversees reputation risk matters within the scope of their respective responsibilities.

The Board reserves responsibility for overall corporate strategy and oversight of strategic risk management, capital planning, dividends and share repurchases, the Comprehensive Capital Analysis and Review supervisory assessments and supervisory stress testing under the Dodd-Frank Wall Street Reform and Consumer Protection Act, and significant capital markets, financing and corporate transactions to the extent not otherwise delegated to management.

The Committee is governed by the same rules regarding meetings (including meetings by telephone conference or similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

### **Committee Duties and Responsibilities**

The general responsibility of the Committee is to review and approve the enterprise-wide risk management policies, practices and activities of the Corporation, and oversee the operation of an

enterprise-wide risk management framework, commensurate with the Corporation's capital structure, risk profile, complexity, activities, size, and other appropriate risk-related factors. In furtherance of its responsibilities described above, the Committee's duties include:

**A. Enterprise Risk Management Framework**

1. Review and recommend to the Board for approval the Corporation's risk management framework and the key risk management policies developed for the Corporation.
2. Oversee establishment of procedures governing the content of, and receive, periodic reports on, and discuss with management, the Corporation's risk management framework, risk management programs (including steps taken to identify, assess, monitor and control the Corporation's key risks) and their results, including discussion of emerging risks.
3. Discuss with management the enterprise's risk appetite and tolerance and recommend to the full Board the statement of risk appetite and tolerance to be communicated throughout the Corporation.
4. Review and assess the adequacy and effectiveness of the Corporation's enterprise-wide risk assessment processes; review and address, as appropriate, management's corrective actions for any deficiencies that may arise with respect to the effectiveness of such programs.
5. Taking into consideration the Board's assignment to the Audit Committee of risk oversight with respect to compliance by the Corporation with legal and regulatory requirements, in coordination with the Audit Committee, (i) receive written reports from and discuss with the Corporation's Chief Compliance Officer matters that may have a material impact on the Corporation's compliance with state and federal laws, rules, regulations, or the standards or codes of conduct of self-regulatory organizations applicable to the Corporation's activities, and, (ii) to the extent within the scope of the Committee's responsibilities set forth in this Charter, review management's corrective actions for any deficiencies that may arise with respect to the effectiveness of the Corporation's enterprise compliance risk management program.
6. Review summaries of regulatory examination reports pertaining to matters that are within the purview of the Committee and management's responses thereto.
7. Review the Corporation's internal audit work plan with the Chief Internal Auditor to assure that it is aligned with the risks that have been identified and with risk governance (and risk management) information needs.
8. Oversee that the Chief Risk Officer, and other members of management as applicable, review with the Compensation Committee the Corporation's incentive compensation programs for senior management and others who could expose the Corporation to

material risk to assure that they are designed and operate in a manner that is consistent with safety and soundness.

**B. Duties Relating to Operational, Credit and Financial Risk Exposures, including Capital and Liquidity**

9. Receive management reports from the Chief Risk Officer, or designee, on the Corporation's operational risk management programs and policies, including management's actions to identify, assess, mitigate and remediate material operational risk issues.
10. Receive management reports from the Chief Risk Officer, or designee, on the Corporation's credit risk management programs and policies, including management's actions to identify, assess, mitigate and remediate material credit risk issues.
11. Receive management reports from the Chief Risk Officer, or designee, regarding credit exposures, credit aspects of specific portfolios, and credit risk management practices, as appropriate.
12. Receive management reports from the Chief Financial Officer, or designee, on the Corporation's market risk management programs and policies, including management's actions to identify, assess, mitigate and remediate material market risk issues.
13. Receive management reports from the Chief Financial Officer, or designee, on the Corporation's liquidity risk management programs and policies, including management's actions to identify, assess, mitigate and remediate material liquidity risk issues.
14. Receive reporting from the Chief Financial Officer, or designee, regarding activities of management's Asset Liability Committee on matters not otherwise reserved by the Board.
15. Review the Corporation's capital adequacy, including compliance with legal, regulatory and supervisory requirements.
16. Assure the establishment and oversight of the independent Market and Liquidity Risk Management function as required under applicable Federal Reserve regulations; receive annual gap reports from the Chief Risk Officer, or designee, on any material market and liquidity risk management issues; and recommend corrective actions for any such exceptions or issues.
17. As required under applicable Federal Reserve regulations, annually review and recommend to the Board the Corporation's liquidity risk tolerance, taking into account the Corporation's capital structure, risk profile, complexity, activities, size

and other appropriate risk-related factors as the Committee may determine in its judgment, and at least semi-annually review information from management regarding adherence to the established liquidity risk tolerance.

18. As required under applicable Federal Reserve regulations, review and approve in advance the liquidity costs, benefits and risks of significant new business lines and products, and at least annually review the liquidity risks of approved significant business lines and products.
19. At least quarterly, review cash-flow projections, liquidity stress testing and related results, limits on potential sources of liquidity risk and liquidity risk management information, and approve liquidity buffers and limits on potential sources of liquidity risk, each as required under applicable Federal Reserve rules.
20. Review and recommend to the Board annually the Corporation's Contingency Funding Plan, and any material revisions thereto.

#### **C. Chief Risk Officer**

21. The Corporation's Chief Risk Officer shall report to the Chief Executive Officer. The Committee shall assure that the Chief Risk Officer has sufficient expertise and experience commensurate with the Corporation's capital structure, risk profile, complexity, activities, size and other appropriate risk-related factors as the Committee may determine in its judgment, and also has sufficient stature, authority, and seniority within the Corporation.
22. Review and make recommendations, as appropriate, with respect to the appointment, performance, compensation and replacement of the Chief Risk Officer of the Corporation.
23. Meet separately in executive session with the Chief Risk Officer periodically and at any time deemed necessary by the Committee.

#### **D. Credit Review and Chief Credit Review Officer**

24. Review and approve annually the credit review plans and policies, and any significant changes to such plans, as appropriate.
25. Oversee the management of the Corporation's credit review department, including reviewing significant reports to management prepared by the credit review department and management's responses, as applicable, and review and approve its annual budget.
26. Approve or replace the Chief Credit Review Officer, as appropriate; and annually review the performance, independence and compensation of the Chief Credit Review Officer. The Chief Credit Review officer shall report directly to the Committee for

functional purposes but may report to a member of management for administrative purposes, which administrative reporting arrangement shall be reviewed and assessed by the Committee on an annual basis.

27. Meet separately in executive session with the Chief Credit Review Officer periodically and at any time deemed necessary by the Committee.

#### **E. Other Responsibilities**

28. Coordinate consideration of and communications with regard to risks among the Board committees and the Board.
29. Maintain minutes of meetings, regularly report on its deliberations and actions to the Board and make recommendations to the Board, in accordance with this Charter and any applicable regulatory requirements.
30. Review, at least annually, this Charter and recommend any proposed changes to the Board for approval.
31. Conduct, and report to the Board the results of, an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this Charter.
32. In addition to the activities enumerated herein, perform any other activities consistent with this Charter, the Corporation's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate or as required by law or regulations.

#### **Access to Advisors**

The Committee, in its sole and absolute discretion, shall have the authority to conduct investigations into any matters within its scope of responsibility and to retain outside legal, accounting, risk management or other advisors, as it deems appropriate, to perform its duties and responsibilities, without prior permission from the Board or management, and the Corporation shall provide the necessary resources for such purposes. The Committee shall determine, in its business judgment, that any such advisors have no relationship with the Corporation that would interfere with the exercise of their independent judgment.

In carrying out its responsibilities, the Committee shall maintain free and open means of communications between the directors, the Chief Internal Auditor, the Chief Risk Officer, the Chief Financial Officer, the Chief Credit Review Officer, the General Counsel, the Chief Compliance Officer and other members of management. The Committee's policies and procedures shall remain flexible, in order to best react to changing conditions and circumstances that might have a material effect on the risk assessment and risk management practices of the Corporation.

### **Delegation of Authority**

The Committee may form, and delegate authority to, subcommittees comprised of one or more members of the Committee, as appropriate. Each subcommittee shall have the full power and authority of the Committee, as to matters delegated to it.

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Approved by the Committee and the Board on January 29, 2014.