



**Investor Presentation** 

#### **Forward Looking Statements**

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act giving Capital One's expectations or predictions of future financial or business performance or conditions. Such forward-looking statements include, but are not limited to, statements about the projected impact and benefits of the transaction involving Capital One and ING Direct, including future financial and operating results, the company's plans, objectives, expectations and intentions and other statements that are not historical facts. These forward-looking statements are subject to numerous assumptions, risks and uncertainties which change over time. Forward-looking statements speak only as of the date they are made, and Capital One assumes no duty to update forward-looking statements.

In addition to factors previously disclosed in our filings with the U.S. Securities and Exchange Commission and those identified elsewhere in this presentation, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: the possibility that regulatory and other approvals and conditions to the transaction are not received or satisfied on a timely basis or at all; the possibility that modifications to the terms of the transactions may be required in order to obtain or satisfy such approvals or conditions; changes in the anticipated timing for closing the transaction; difficulties and delays in integrating Capital One's and ING Direct's businesses or fully realizing projected cost savings and other projected benefits of the transaction; business disruption during the pendency of or following the transaction; the inability to sustain revenue and earnings growth; changes in interest rates and capital markets; diversion of management time on transaction-related issues; reputational risks and the reaction of customers and counterparties to the transaction; and changes in asset quality and credit risk as a result of the transaction.

Annualized, pro forma, projected and estimated numbers are used for illustrative purposes only, are not forecasts and may not reflect actual results.

• Transaction summary and strategic rationale

Financial overview

### **Transaction Summary**

**Transaction Value** \$9.0 Billion<sup>1</sup>

Form of Consideration

to ING<sup>1</sup>

Fixed Number of Capital One shares of approximately 55.9 million

(9.9% COF pro forma ownership)

Fixed cash amount of approximately \$6.2 billion<sup>2</sup>

Source of Funds Planned market equity raise prior to closing of approximately \$2.0

billion to fund a portion of the cash payment to ING Group

Additional sources of cash consideration:

\$0.5B financed through cash

\$3.7B financed through planned issuance of Capital One senior debt

**Shareholder Agreement** One ING Group representative added to Capital One Board

ING Group not permitted to sell Capital One shares before the later of

180 days after market equity raise and 90 days after closing

**Approvals** Approved by both Boards

No Capital One or ING shareholder approval necessary

Federal Reserve Board and Dutch Central Bank and certain other

regulatory approvals will be necessary

**Expected Closing** Late Q4 2011 / Early Q1 2012

#### Footnotes:

2) If ING's stock ownership would exceed 9.9% at closing, the excess will be paid in cash

<sup>1)</sup> Share consideration valued at COF 10-day average closing price of \$50.07 for the period ending June 15, 2011.

# The ING Direct acquisition delivers attractive financial results and long-term strategic value

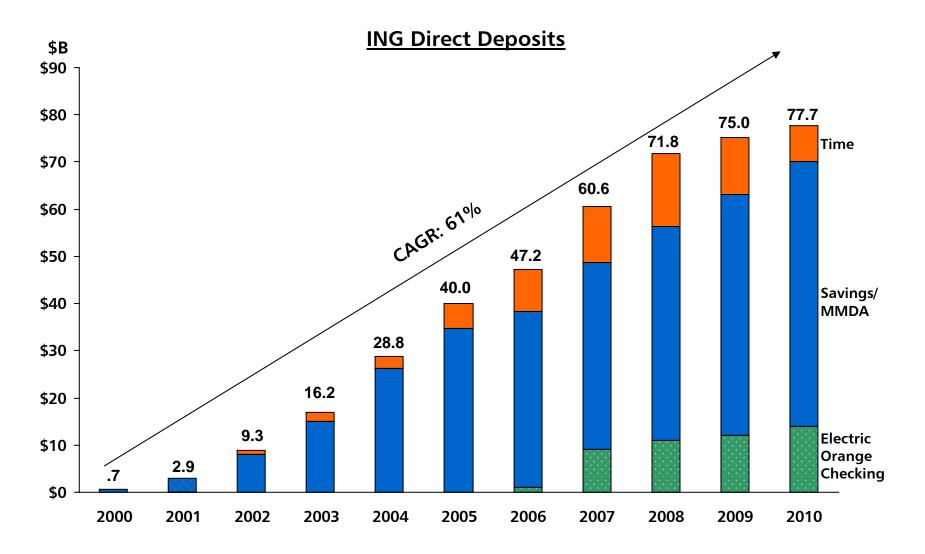
### Attractive Deal Economics

- Accretive to EPS in 2012
- Mid-single digit EPS accretion in 2013
- Accretive to tangible book value per share
- ROIC > cost of capital in 2013
- IRR > 20%
- Buying without significant premium reduces risks

### Compelling Strategic Value

- Industry-leading direct banking franchise with national reach
- 7 million young, highincome, loyal customers
- \$80 billion of low cost, stable deposits
- Accretive to long-term growth, returns, and capital generation

### ING Direct has grown rapidly to become the nation's 15<sup>th</sup> largest bank, and by far the largest direct banking franchise



### Mortgages and investment securities are ING Direct's predominant assets

#### **Mortgage Loans**

- \$40.7B outstanding as of 3/31/2011
- 62% of portfolio is 2008 or newer vintages
- Average original LTV 66%
- 30-179 day delinquency rate of 1.2%
- Mostly 5 and 7 year ARMs
- Weighted average FICO
  - Original = 755
  - Current = 746
- Gross estimated credit mark of \$1.7B (~4% of loans)

#### **Investment Securities**

- \$29.6B outstanding as of 3/31/11
  - \$28.7B Fair Value
  - \$0.9B HFI
- Majority are mortgage related
  - \$15.0B US Agency backed MBS
  - \$3.7B US Non-Agency MBS
  - \$8.4B US Treasuries and TLGP-backed debt
  - \$1.3B ABS/CMBS
  - \$1.2B European government-backed and supranationals
- ~88% rated AAA

### Capital One can build on ING Direct's franchise to realize greater value for customers, associates and shareholders

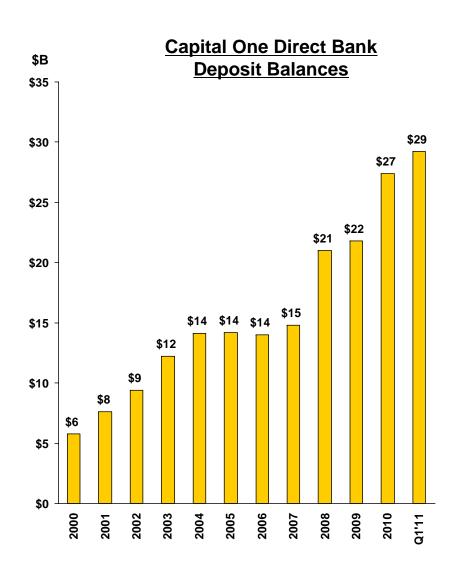
Capital synergy

Achievable cost synergies

**Deposit synergies** 

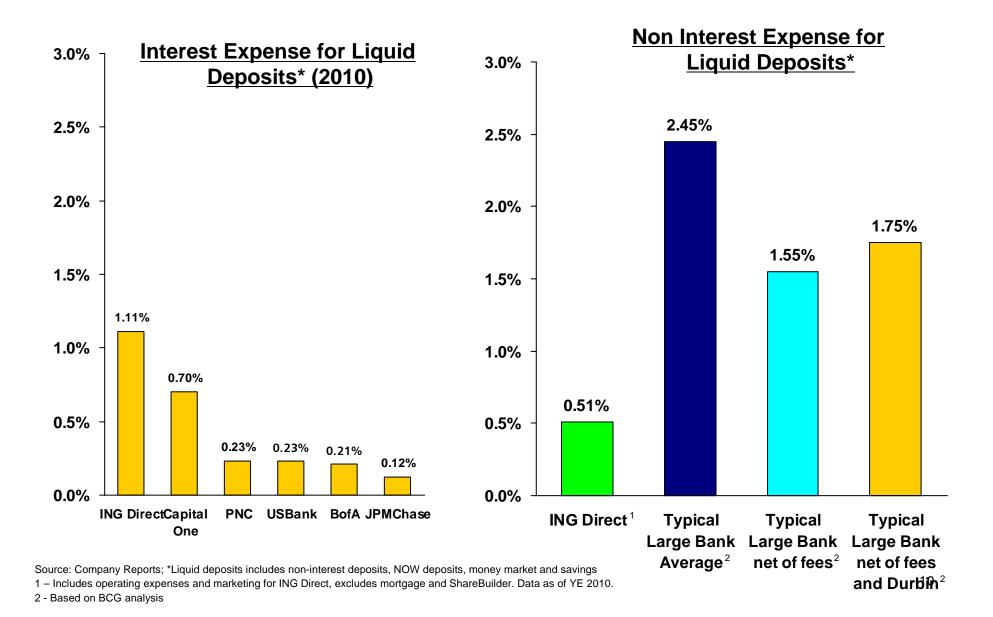
Opportunity to swap higher-yield Capital One loans for ING Direct assets Opportunity to
expand and
deepen
relationships with
large and loyal
customer base

# Capital One has been a successful player in direct banking for over a decade

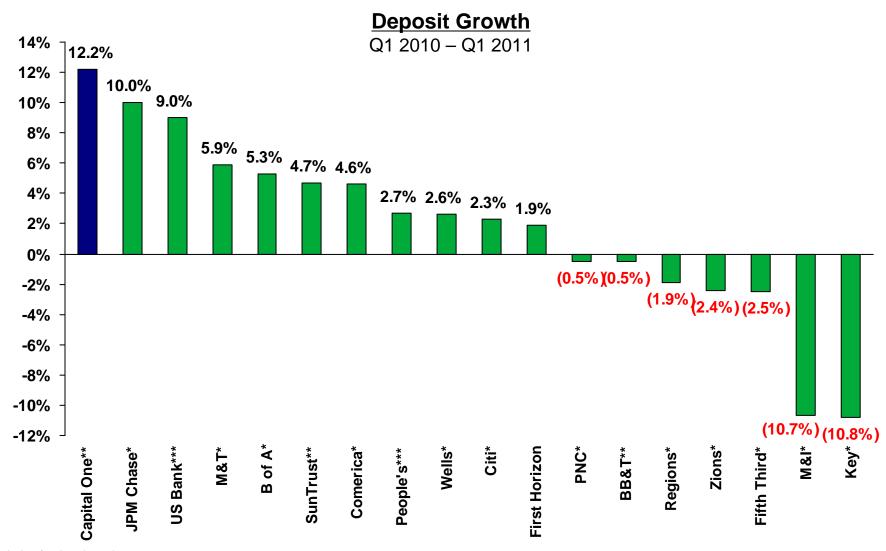




# ING Direct's all-in cost of deposits is competitive due in large part to much lower non-interest expense



### We are a leader in deposit growth

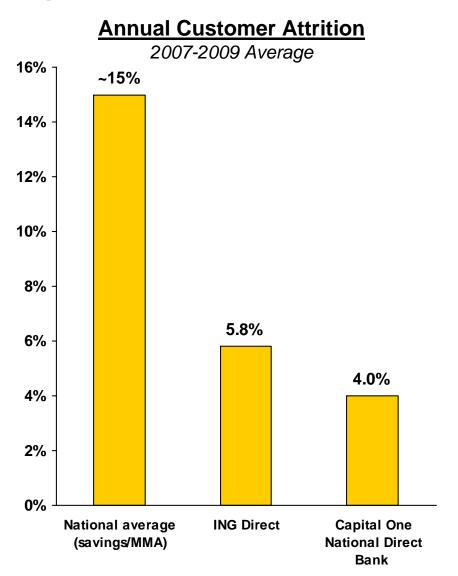


<sup>\*</sup> Excludes foreign deposits

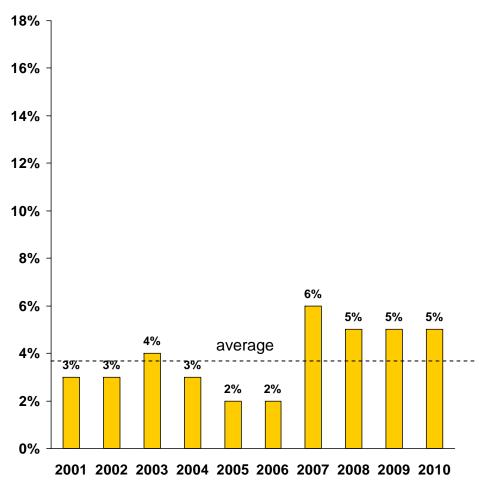
<sup>\*\*</sup> Excludes brokered deposits.

<sup>\*\*\*</sup> Excludes impact from acquisitions.

# ING Direct deposit customers are exceptionally loyal



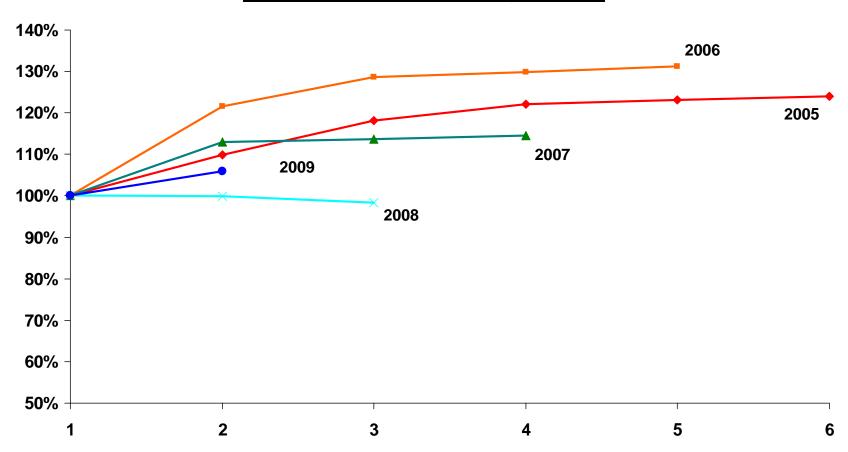
#### **ING Direct Annual Customer Attrition**



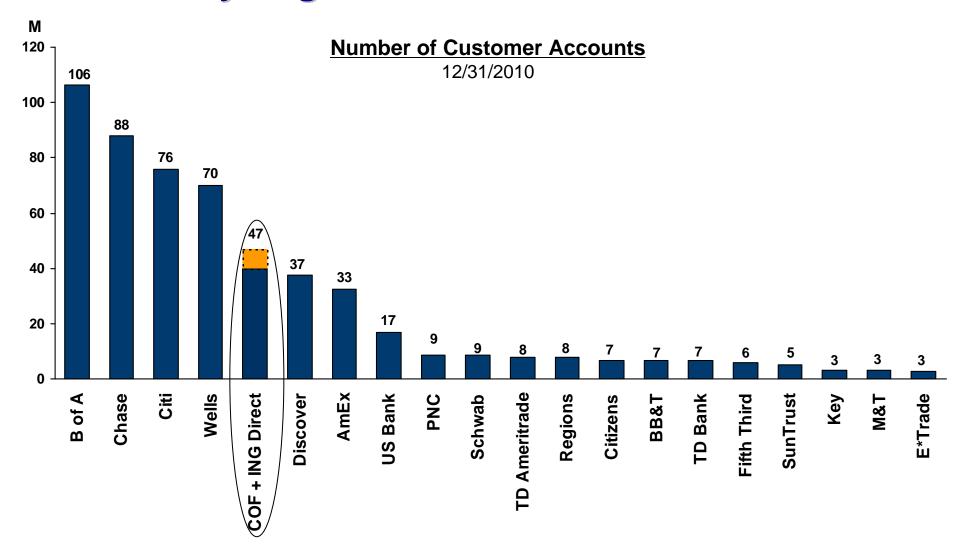
Source: ING Direct; American Bankers Association

# ING Direct customers maintain and grow balances over time

#### **ING Direct Balance View by Cohort\***

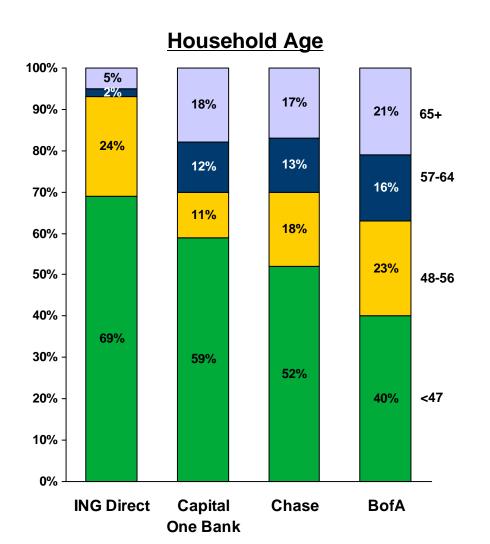


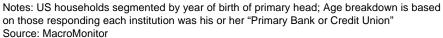
# A handful of banks are breaking away from the pack to build very large customer bases

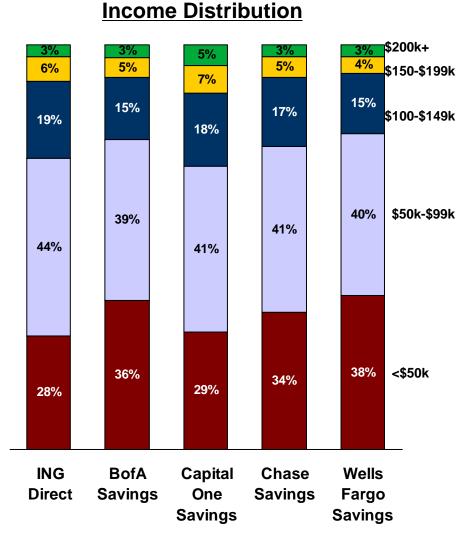


Data is U.S. Only for firms with large International presence (Citi, ING, TD Bank); May include account overlap both between segmented silos and within silos due to multiproduct relationships Source: Company reports, Nilson

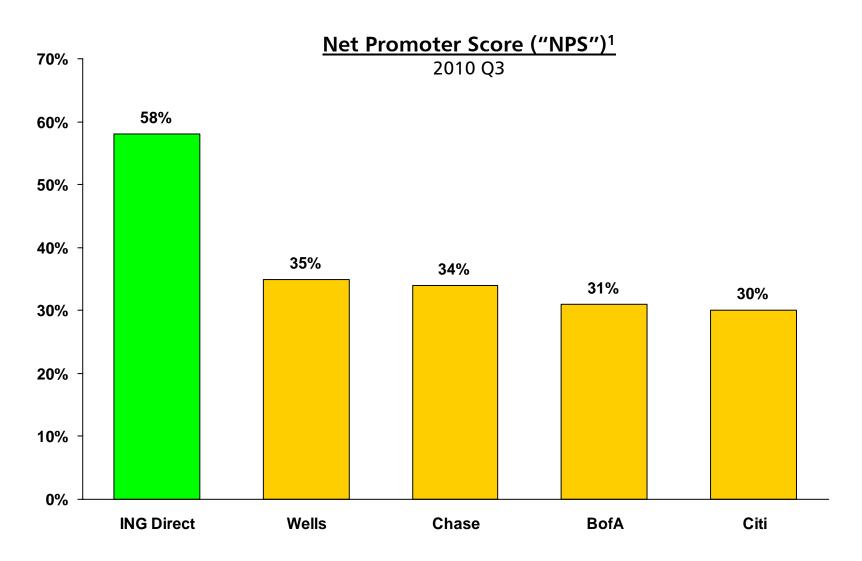
# ING Direct's customers are young and have attractive income and potential







### ING Direct customers are avid supporters of the franchise

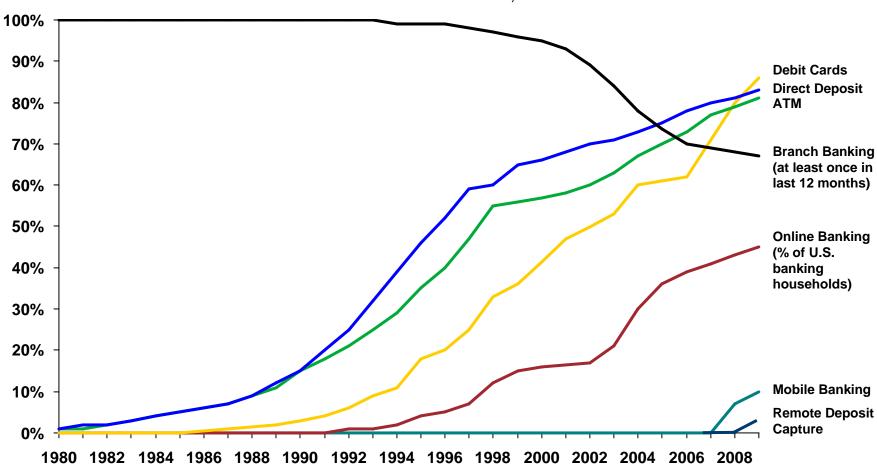


<sup>&</sup>lt;sup>1</sup> When asked if the customer would recommend their bank, NPS is defined as % scored 9 or 10 less % 1 to 6, scores out of 10 Source: NPS Benchmarking Study Results: Consumer Insights and Analytics (October 2010)

### Banking is increasingly moving to digital channels

#### **Consumer Distribution Channel Penetration**

Percent of U.S. Households, 1980-2009



# ING Direct complements our advantaged access to assets and local-scale banking with national reach

Advantaged access to assets

- Credit Card
- Auto Finance
- Other Consumer Lending

Local-scale banking in attractive markets

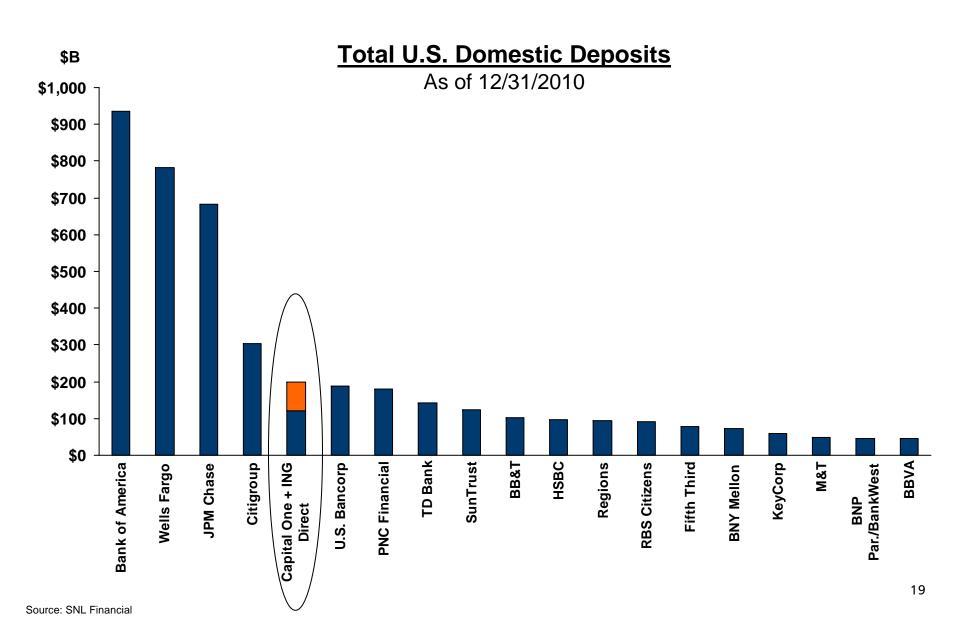
- Commercial
- Small Business
- Consumer

National banking reach

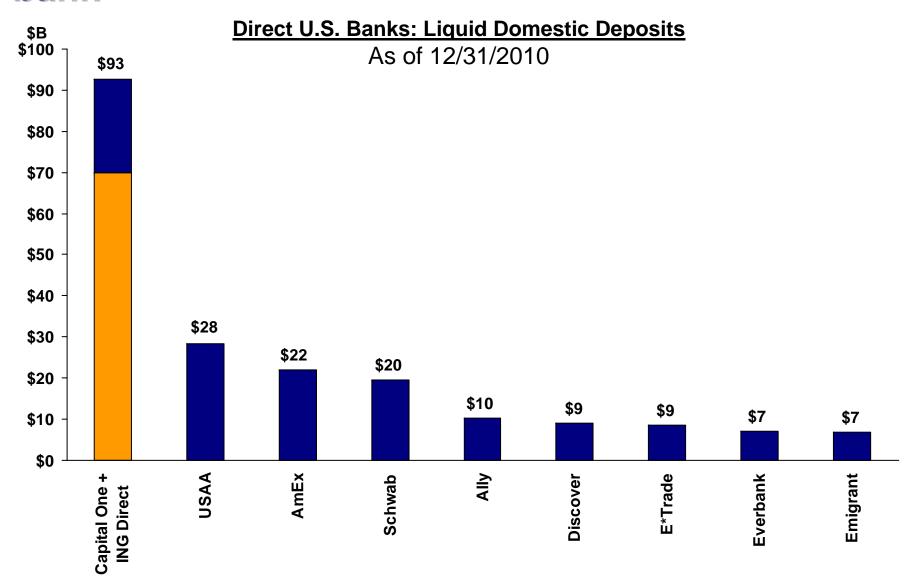
- Industry-leading direct banking franchise
- Direct brokerage

Powerful national brand Very large national customer base

# With ING Direct we become the 5<sup>th</sup> largest U.S. bank



# With ING Direct we become the largest direct bank



#### **Transaction risks are low**

Demonstrated capability to effectively mark and manage mortgage loans

Modest cost reduction targets

Strong cultural alignment

Acquiring fully marked balance sheet without paying significant premium

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### **Financial Assumptions**

Earnings<sup>1</sup> COF: IBES EPS estimates through 2013

ING Direct: Baseline annual earnings of \$630MM<sup>1</sup>

**Synergies** Base case includes cost and modest funding synergies

Upside potential from balance sheet repositioning, cross-sell, and See next page

additional funding synergies

**Gross Credit Mark**<sup>2</sup> Gross credit mark of \$1.7B (~4.2% of loans)

Intangibles + Goodwill<sup>3</sup> Goodwill of \$975MM

Core deposit intangibles of \$455MM

Other identifiable intangibles of \$240MM

Restructuring charges and transaction costs

\$210MM

**Dividends** Capital One current dividend level maintained, subject to Capital One

board review

**Equity** Planned market equity raise prior to closing of approximately \$2.0B

#### Footnotes:

- 1) Estimated \$630MM adjusted pre-provision NIAT for the 12 months ended March 31, 2011 excludes loss on debt extinguishment, AFS securities sales, OTTI, and incorporates Capital One's tax rate.
- 2) At 3/31/11.
- 3) Estimated at 12/31/11 transaction close.

#### We believe there is upside potential from our modeled

synergies

#### **Pre-Tax Annual Synergies**

|                                   |  | 2013 Modeled Impact                       | Long-Term Potential<br>Run-Rate |
|-----------------------------------|--|---|---------------------------------|
| Cost Savings                      | <ul> <li>Consolidation of direct banking<br/>and mortgage platform</li> <li>Infrastructure / data center savings</li> <li>Corporate systems rationalization</li> <li>Staff function consolidation</li> </ul> | \$90MM<br>(~12% of ING Direct's<br>costs) | \$90MM                          |
| Deposit / Funding<br>Optimization | <ul> <li>Volume / deposit mix<br/>opportunities in combined<br/>portfolio</li> </ul>   | 10 bps<br>\$200MM                         | 15-25 bps<br>\$300MM to \$450MM |
| Cross-Sell                        | <ul><li>ShareBuilder online brokerage</li><li>Capital One Venture card</li></ul>   | None Included                             | \$50-70MM                       |
| Balance Sheet<br>Repositioning    | <ul> <li>Replace planned ING Direct assets<br/>with additional card, auto, and<br/>commercial assets</li> </ul>  | None Included                             | \$75-140MM                      |

#### **Attractive Financial Transaction**

Attractive Valuation Price to tangible book multiple of 1.0x

Premium to core deposits of 0.4%

**Accretive Transaction** EPS accretive in 2012

Mid-single digit EPS accretion in 2013

Accretive to tangible book value per share at closing

**Attractive Shareholder** 

Returns

IRR in excess of 20%

Return on Invested Capital exceeds cost of capital by 2013

**Positive ROE Impact** 

Accretive to ROE in 2012

**Strong Pro Forma Capital** 

Generation

Pro forma Tier 1 Common ratio of approximately 9% at

estimated closing of 12/31/2011

Accretive to Tier 1 Common capital generation in 2013

# ING Direct is a game-changing acquisition that delivers compelling financial results immediately and over the long-term

Combines valuable
ING Direct deposit
franchise with
Capital One's
advantaged access
to assets

Accelerates winning banking strategy positioned where the markets are going

Strengthens our customer franchise and brand

Provides significant financial and strategic upside with low risk

Compelling deal economics and long-term value creation