# First Quarter 2012 Results

April 19, 2012

# Forward-Looking Statements

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**You should carefully consider the factors discussed above in evaluating these forward-looking statements. All information in these slides is based on the consolidated results of Capital One Financial Corporation, unless otherwise noted. A reconciliation of any non-GAAP financial measures included in this presentation can be found in Capital One's most recent Current Report on Form 8-K filed April 19, 2012, available on its website at www.capitalone.com under "Investors."**

# First Quarter 2012 Highlights

- **Q1 2012 net income was $1,403MM, or $2.72 per share, compared with Q4 2011 net income of $407MM, or $0.88 per share**
  - $1.56 per share excluding INGD related bargain purchase gain
  - Higher revenue due to impacts of the INGD acquisition, slightly higher loan balances and absence of Q4 2011 negative items
  - Lower provision expense driven by lower charge-offs and larger ALLL release
  - Lower non-interest expense driven by seasonally lower marketing expense and flat operating expense
    - Legacy operating expenses of ($2.0B)
    - Partially offset by impact of merger-related expenses and a half quarter of INGD expenses
  - Rep & Warranty expense of ($169M); ($95M) related to GSE settlement

- **ING Direct USA (INGD) acquisition closed on February 17, 2012**
  - Merger-related impacts on Q1 2012 earnings include:
    - Bargain purchase gain increased non-interest income by $594M
    - Mark-to-market loss on related swap hedge of ($78M) in non-interest income
    - Loan premium amortization expense of ($30M) in interest income
    - Transaction and merger-related expenses of ($65M) in non-interest expense
    - Core deposit intangibles and other intangible amortization of ($12M )in operating expense
  - Half quarter impacts on Q1 2012 earnings excluding merger related impacts:
    - Revenue of ~ $185M
    - Non-interest expense of ~ ($77M)

# First quarter 2012 earnings reflected a significant impact from the acquisition of ING Direct

| $MM | Actual Q1'12 | Est. INGD* Impact Q1'12 | COF (excl. est INGD) Q1'12 | Actual Q4'11 |
|---|---|---|---|---|
| Net Interest Income | $ 3,414 | $ 136 | $ 3,278 | $ 3,182 |
| Non-Interest Income | 1,521 | 535 | 986 | 868 |
| **Total Revenue** | 4,935 | 671 | 4,264 | $ 4,050 |
| Marketing | 321 | 8 | 313 ** | 420 |
| Operating Expense | 2,183 | 150 | 2,033 | 2,198 |
| **Non-Interest Expense** | 2,504 | 158 | 2,346 | 2,618 |
| Pre-Provision Earnings (before tax) | 2,431 | 513 | 1,918 | 1,432 |
| Net Charge-offs | 780 | 1 | 779 | 884 |
| Other | (17) | - | (17) | 7 |
| Allowance Build (Release) | (190) | - | (190) | (30) |
| **Provision Expense** | 573 | 1 | 572 | 861 |
| Pretax Income | 1,858 | 512 | 1,346 | 571 |
| Taxes | 353 | (23) | 376 | 160 |
| **Operating Earnings (after tax)** | 1,505 | 535 | 970 | 411 |
| Discontinued Operations, net of tax | (102) | - | (102) | (4) |
| **Total Company (after tax)** | $ 1,403 | $ 535 | $ 868 | $ 407 |

***INGD impacts are estimated direct impacts post acquisition, including transaction & merger related expenses**

**** Includes ~$25M of HSBC transaction & merger-related expenses**

# The addition of ING Direct's assets & liabilities had a significant impact on our first quarter balance sheet

| $B | 3/31/2012 | INGD Impacts 2/17/2012 | 12/31/2011 |
|---|---|---|---|
| **Assets:** | | | |
| Cash and cash equivalents | $ 31.7 | $ 20.1 | $ 6.6 |
| Securities | 60.8 | 30.6 | 38.8 |
| Loans held for investment | 173.8 | 40.4 | 135.9 |
| Less: Allowance for loan and lease losses | (4.0) | - | (4.3) |
| Net loans held for investment | 169.8 | 40.4 | 131.6 |
| Other Assets | 32.2 | 3.0 | 29.0 |
| Total assets | $ 294.5 | $ 94.1 | $ 206.0 |
| Liabilities: | | | |
| Deposits | $ 216.5 | $ 84.4 | $ 128.2 |
| Debt | 32.9 | - | 39.5 |
| Other liabilities | 8.1 | 0.2 | 8.6 |
| Total liabilities | 257.5 | 84.6 | 176.3 |
| Stockholders' Equity: | 37.0 | - | 29.7 |
| Total liabilities and stockholders' equity | $ 294.5 | $ 84.6 | $ 206.0 |

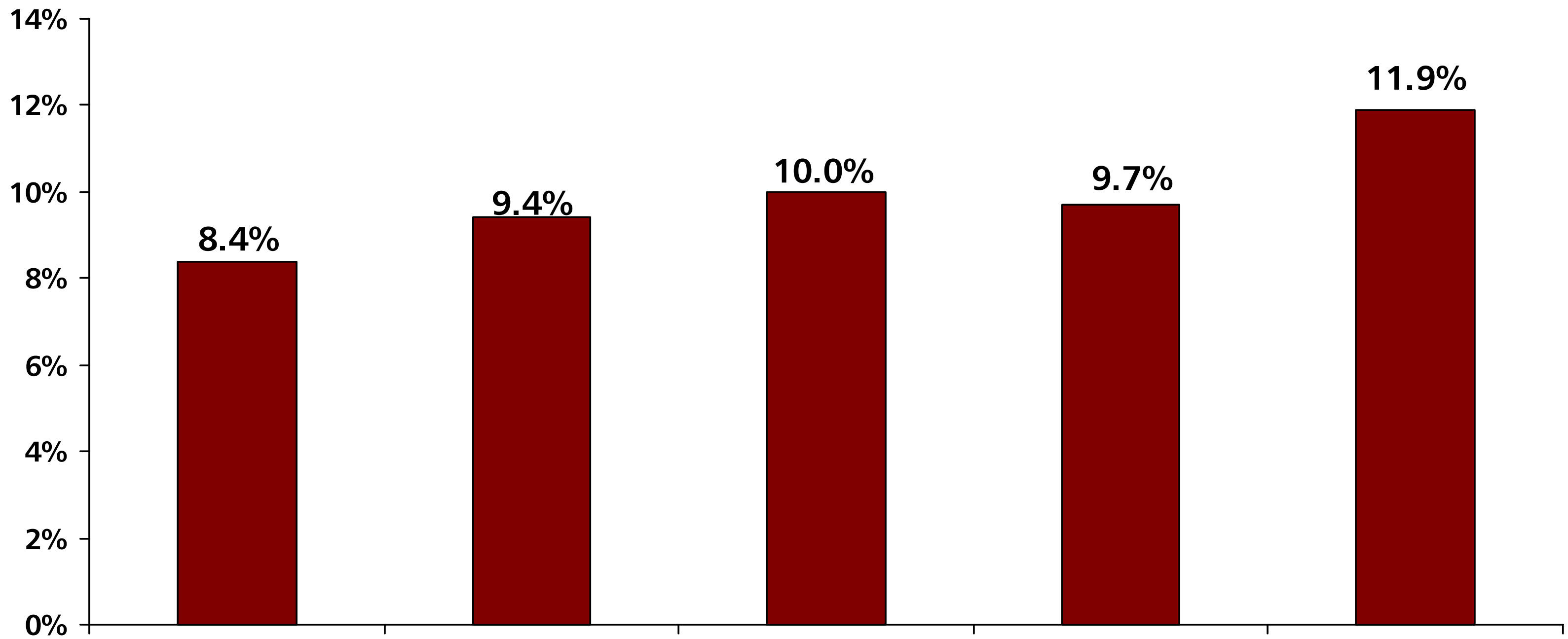
# The quarterly NIM decrease was caused by the addition of ING Direct

## Average Balances & Margin Highlights

| *(Dollars in millions)* | 2012 Q1 Average Balance | 2012 Q1 Yield/ Rate | 2011 Q4 Average Balance | 2011 Q4 Yield/ Rate |
|---|---|---|---|---|
| **Interest-earning assets:** | | | | |
| Loans held for investment | $ 152,900 | 9.56 % | $ 131,581 | 10.46 % |
| Investment securities | 50,543 | 2.36 | 39,005 | 2.50 |
| Cash equivalents and other | 16,803 | 0.62 | 5,685 | 1.20 |
| Total interest-earning assets | $ 220,246 | 7.23 % | $ 176,271 | 8.40 % |
| **Interest-bearing liabilities:** | | | | |
| Total interest-bearing deposits | $ 151,625 | 0.82 % | $ 109,914 | 0.96 % |
| Securitized debt obligations | 16,185 | 1.98 | 16,780 | 1.91 |
| Senior and subordinated notes | 10,268 | 3.43 | 10,237 | 3.48 |
| Other borrowings | 9,541 | 3.61 | 7,794 | 4.41 |
| Total interest-bearing liabilities | $ 187,619 | 1.20 % | $ 144,725 | 1.43 % |
| Impact of non-interest bearing deposits | | 0.17 % | | 0.25 % |
| Net interest margin | | 6.20 % | | 7.22 % |

# Our capital position was strengthened by issuance of deal related shares and strong earnings

## Tier 1 Common Ratio (Basel I)[1]




| ($B) | Q111 | Q211 | Q311 | Q411 | Q112 |
|---|---|---|---|---|---|
| Tier 1 common capital including disallowed DTA | 13.4 | 14.3 | 15.1 | 15.6 | 22.6 |
| Disallowed DTA | (1.4) | (0.6) | (0.2) | (0.5) | (0.9) |
| Tier 1 common capital | 12.0 | 13.7 | 14.9 | 15.1 | 21.7 |
| RWA | 142 | 146 | 149 | 155 | 183 |
| EOP Loans | 124 | 129 | 130 | 136 | 174 |

1 Tier 1 common ratio is a regulatory capital measure calculated based on Tier 1 common capital divided by risk-weighted assets. See "Exhibit 99.2— Table 13: Reconciliation of Non-GAAP Measures and Calculation of Regulatory Capital Measures" for the calculation of this ratio.

## The acquisition of HSBC's US Credit Card business will significantly impact results in the second quarter and beyond

- Significant earnings impact from:
  - Allowance for non-impaired loans and finance charge & fee reserve (FCFR) build
  - Purchase accounting
    - PCCR
    - Fair Value of delinquent and current loans
    - Other assets and intangibles
  - Transaction and merger-related expenses

- Capital Impact
  - Expected to bring 2Q 2012 Tier 1 common ratio to mid-9% range
    - Increased risk weighted assets
    - Lower earnings due to above impacts
  - Capital generative beginning in Q3 2012

# Domestic Card delivered strong profits, improving credit and year-over-year growth in loans and purchase volumes

## Domestic Card Financial Highlights

| (Dollars in millions) | 2012 Q1 | 2011 Q4 | 2011 Q1 |
|---|---|---|---|
| Net interest income | **1,713** | 1,706 | 1,651 |
| Non-interest income | **497** | 613 | 583 |
| Total revenue | **2,210** | 2,319 | 2,234 |
| Provision for credit losses | **361** | 519 | 230 |
| Non-interest expense | **1,052** | 1,183 | 990 |
| Income from continuing operations before taxes | **797** | 617 | 1,014 |
| Income tax provision | **282** | 222 | 360 |
| Income from continuing operations, net of tax | **$ 515** | $ 395 | $ 654 |

| Selected metrics: | | | |
|---|---|---|---|
| Period-end loans held for investment | **$ 53,173** | $ 56,609 | $ 50,570 |
| Average loans held for investment | **54,131** | 54,403 | 51,889 |
| Average yield on loans held for investment | **14.11 %** | 14.05 % | 14.42 % |
| Revenue margin | **16.33** | 17.05 | 17.22 |
| Net charge-off rate | **3.92** | 4.07 | 6.20 |
| 30+ day deliquency rate | **3.25** | 3.66 | 3.59 |
| Purchase volume | **$ 31,418** | $ 34,586 | $ 25,024 |

## Commentary

- 5% year-over-year loan growth; expected seasonal decline in Q1
- Strong year-over-year growth in purchase volumes, new accounts
- Revenue margin decline driven by unique items; loan yields stable
- NIE decline on lower marketing and lower operating expense
- Underlying improvement trend in charge-off and delinquency rates, aided by expected seasonal tailwinds

# The addition of ING Direct and strong Auto Finance performance drove Consumer Banking results

## Consumer Banking Financial Highlights

| (Dollars in millions) | 2012 Q1 | 2011 Q4 | 2011 Q1 |
|---|---|---|---|
| **Earnings:** | | | |
| Net interest income | **$ 1,288** | $ 1,105 | $ 983 |
| Non-interest income | **176** | 152 | 186 |
| Total revenue | **1,464** | 1,257 | 1,169 |
| Provision for credit losses | **174** | 180 | 95 |
| Non-interest expense | **943** | 893 | 740 |
| Income from continuing operations before taxes | **347** | 184 | 334 |
| Income tax provision | **123** | 67 | 119 |
| Income from continuing operations, net of tax | **$ 224** | $ 117 | $ 215 |
| **Selected metrics:** | | | |
| Period-end loans held for investment | **$ 77,300** | $ 36,315 | $ 34,306 |
| Average loans held for investment | **56,263** | 35,791 | 34,236 |
| Average yield on loans held for investment | **7.20 %** | 9.46 % | 9.60 % |
| Auto loan originations | **$ 4,270** | $ 3,586 | $ 2,571 |
| Period-end deposits | **176,007** | 88,540 | 86,355 |
| Average deposits | **129,915** | 88,390 | 83,884 |
| Deposit interest expense rate | **0.73 %** | 0.84 % | 1.06 % |
| Core deposit intangible amortization | **$ 37** | $ 31 | $ 35 |
| Net charge-off rate | **0.77 %** | 1.65 % | 1.57 % |
| Net charge-off rate (excluding acquired loans) | **1.29** | 1.87 | 1.82 |
| Nonperforming loans as a % of loans held for investment | **0.77** | 1.79 | 1.84 |
| Nonperforming asset rate | **0.82** | 1.94 | 2.00 |
| 30+ day performing delinquency rate | **1.63** | 4.47 | 3.42 |
| 30+ day performing delinquency rate (excluding acquired loans) | **3.63** | 5.06 | 3.98 |
| 30+ day deliquency rate | **—** | 5.99 | 4.96 |
| Period-end loans serviced for others | **$ 17,586** | $ 17,998 | $ 19,956 |

## Commentary

- Trends in loan and deposit balances, revenue, NIE, and yields all driven by addition of ING Direct on 2/17/12
- $1.8 billion growth in auto loans, strong growth in auto loan originations
- Modestly lower provision expense:
  - Mix shift to home loans
  - Lower home loan charge-off rate
  - Seasonal improvement in auto credit
  - Partially offset by allowance build for auto loan growth

# The Commercial Banking business continues to deliver strong and steady performance

## Commercial Banking Financial Highlights

| (Dollars in millions) | 2012 Q1 | 2011 Q4 | 2011 Q1 |
|---|---|---|---|
| **Earnings:** | | | |
| Net interest income | $ **431** | $ 425 | $ 376 |
| Non-interest income | **85** | 87 | 71 |
| Total revenue | **516** | 512 | 447 |
| Provision for credit losses | **(69)** | 76 | (16) |
| Non-interest expense | **261** | 254 | 212 |
| Income from continuing operations before taxes | **324** | 182 | 251 |
| Income tax provision | **114** | 65 | 89 |
| Income from continuing operations, net of tax | $ **210** | $ 117 | $ 162 |
| **Selected metrics:** | | | |
| Period-end loans held for investment | $ **34,906** | $ 34,327 | $ 30,265 |
| Average loans held for investment | **34,032** | 32,843 | 30,027 |
| Average yield on loans held for investment | **4.47 %** | 4.70 % | 4.81 % |
| Period-end deposits | $ **28,046** | $ 26,683 | $ 24,336 |
| Average deposits | **27,569** | 26,185 | 24,232 |
| Deposit interest expense rate | **0.37 %** | 0.42 % | 0.55 % |
| Core deposit intangible amortization | $ **9** | $ 9 | $ 11 |
| Net charge-off rate | **0.19 %** | 0.62 % | 0.80 % |
| Nonperforming loans as a percentage of loans held for investment | **1.15** | 1.08 | 1.83 |
| Nonperforming asset rate | **1.23** | 1.17 | 1.94 |

## Commentary

- 15% year-over-year growth in loans, deposits, and revenue
- Increases in NIE more than offset by improvements in provision
- Charge-off rate improved; NPA rate relatively stable

# We expect strong loan growth in several of our businesses to be largely offset by significant run-off portfolios

**Growth Opportunities**

- Auto Finance
- Domestic Card
- Commercial Banking

**Run-off Portfolios (expected annual run-off)**

- Consumer Banking (~$8.5 billion)
  - Home Loans inherited in acquisitions
- Domestic Card (~$1.8 billion)
  - Portions of HSBC U.S. credit card portfolio
  - Closed End Loans (ILs)
- Commercial Banking (~$150 million)
  - Small Ticket CRE

# We are focused on delivering sustained shareholder value

| Sure-footed Integration | Building a Great Customer Franchise | Strong Returns and Capital Generation |
|---|---|---|

Capital One℠