

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2011-06-16** | Period of Report: **2011-06-16**
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FILER

CAPITAL ONE FINANCIAL CORP

CIK: **927628** | IRS No.: **541719854** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-13300** | Film No.: **11915636**
SIC: **6022** State commercial banks

Mailing Address
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SUITE 1400
MCLEAN VA 22102

Business Address
1680 CAPITAL ONE DRIVE
SUITE 1400
MCLEAN VA 22102
7037201000

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

**June 16, 2011
Date of Report (Date of earliest event reported)**

CAPITAL ONE FINANCIAL CORPORATION

(Exact name of registrant as specified in its chapter)

Delaware
(State or other jurisdiction
of incorporation)

1-13300
(Commission
File Number)

54-1719854
(IRS Employer
Identification No.)

1680 Capital One Drive
McLean, Virginia
(Address of principal executive offices)

22102
(Zip Code)

Registrant's telephone number, including area code: (703) 720-1000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 7.01 Regulation FD Disclosure.

Capital One Financial Corporation (the “Company”) hereby furnishes the information in Exhibit 99.1 hereto.

Note: Information in this report (including the exhibit) furnished pursuant to Item 7.01 shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section. This report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD. Furthermore, the information provided in Exhibit 99.1 shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933.

Item 8.01 Other Events.

On June 16, 2011, the Company issued a press release announcing the execution of a Purchase and Sale Agreement, dated as of June 16, 2011, by and among the Company, ING Groep N.V., ING Bank N.V., ING Direct N.V., and ING Direct Bancorp. A copy of the press release is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Investor Presentation, dated June 16, 2011
99.2	Press Release, dated June 16, 2011

Analyst Conference Call Webcast Information.

The Company will hold an analyst conference call on June 16, 2011, 5:15 PM Eastern Daylight Time. The conference call will be accessible through live webcast. Interested investors and other individuals can access the webcast via the Company’s home page (<http://www.capitalone.com>). Choose “Investors” to access the webcast and view and download the press release and investor presentation.

Forward-looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act giving the Company’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 the Company 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 the Company 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 report, 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 the Company’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.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

CAPITAL ONE FINANCIAL CORPORATION

Dated: June 16, 2011

By: /s/ John G. Finneran, Jr.

John G. Finneran, Jr.

General Counsel and Corporate Secretary

EXHIBIT INDEX

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Investor Presentation

June 16, 2011

1

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Transaction summary and strategic rationale

Financial overview

Transaction Summary

Transaction Value	\$9.0 Billion ¹
Form of Consideration to ING¹	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 ²
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:

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

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

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

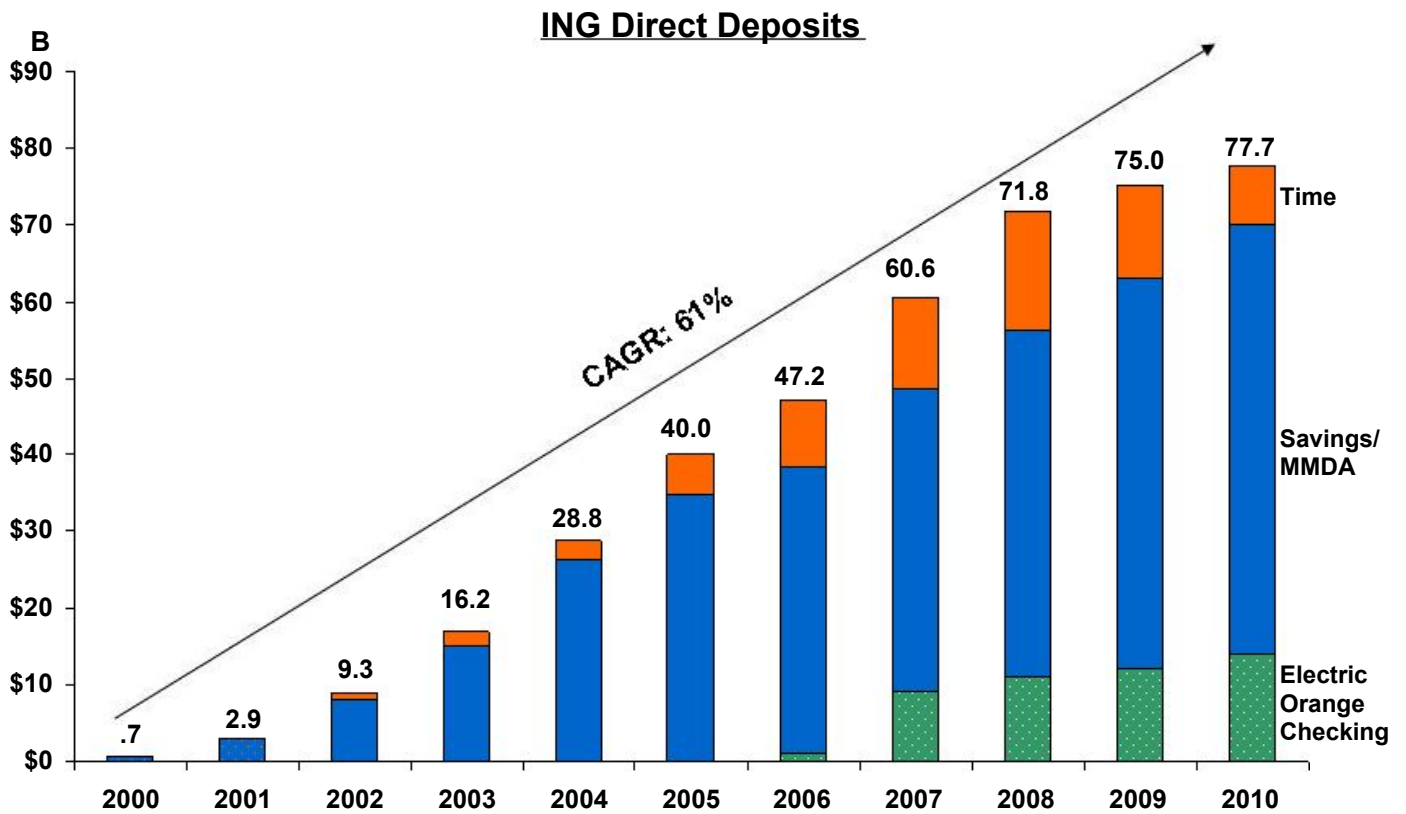
7 million young, high-income, loyal customers

\$80 billion of low cost, stable deposits

Accretive to long-term growth, returns, and capital generation

Note: see "Financial Assumptions" in this presentation for underlying assumptions

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



Source: SNL Financial (FDIC), Company reports

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

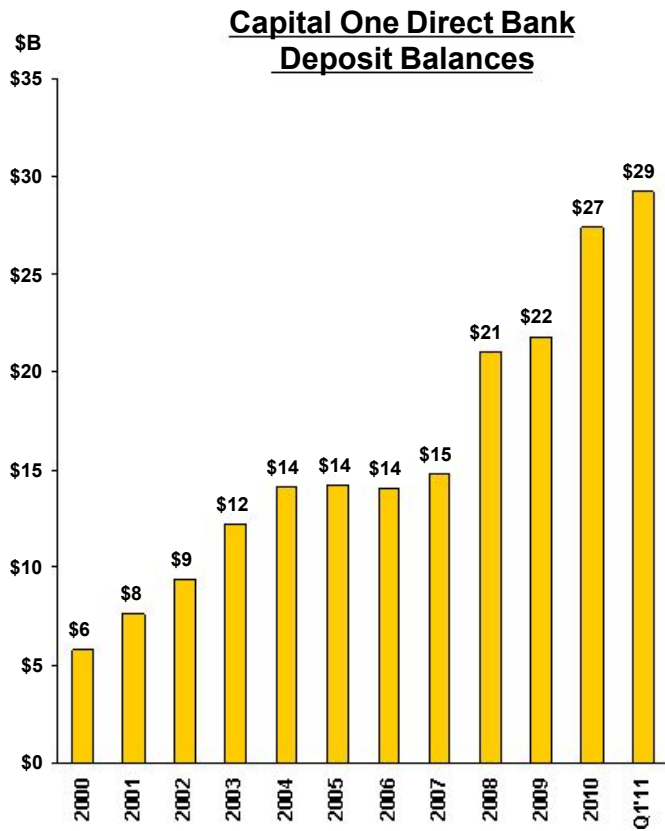
Achievable cost synergies

Deposit synergies

Opportunity to swap higher-yield Capital One loans for ING 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



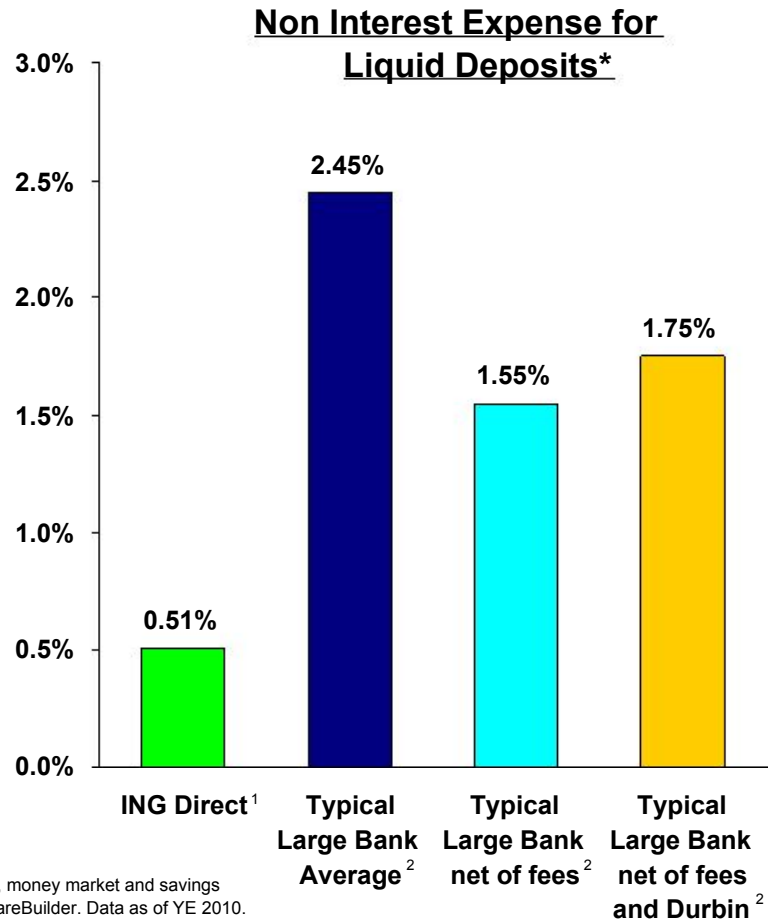
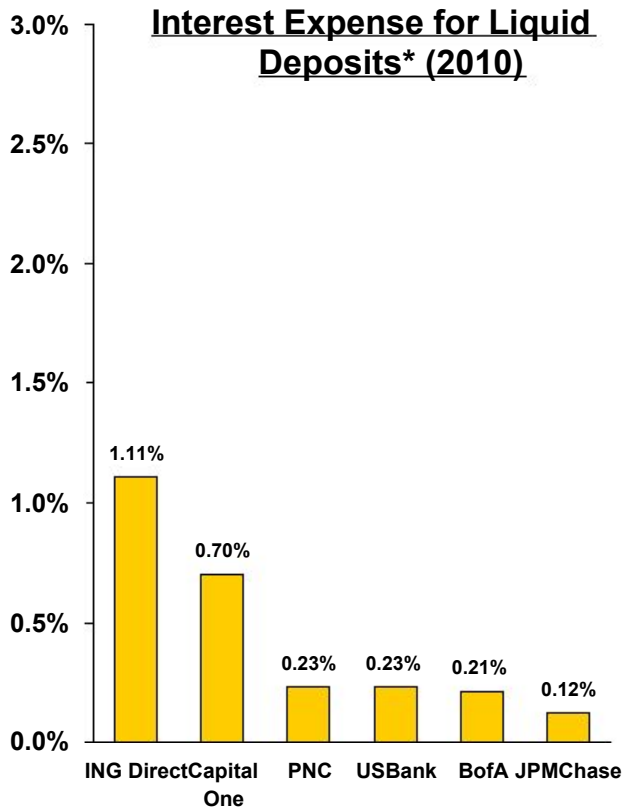
J.D. POWER
AND ASSOCIATES®



The Global
Six Sigma
Awards
Celebrating Outstanding
Organizational Achievement



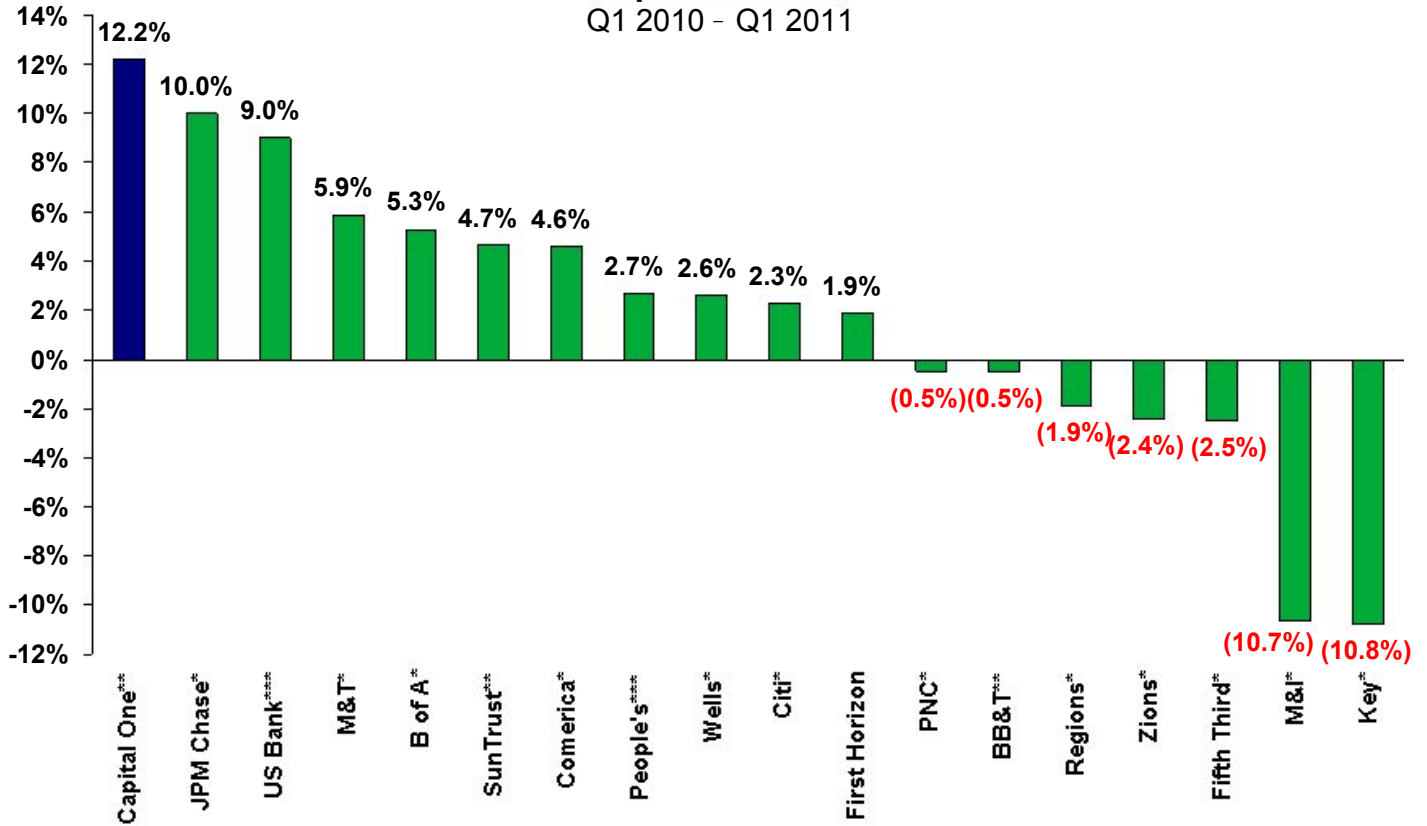
ING Direct's all-in cost of deposits is competitive due in large part to much lower non-interest expense



Source: Company Reports; *Liquid deposits includes non-interest deposits, NOW deposits, money market and savings
 1 - Includes operating expenses and marketing for ING Direct, excludes mortgage and ShareBuilder. Data as of YE 2010.
 2 - Based on BCG analysis

We are a leader in deposit growth

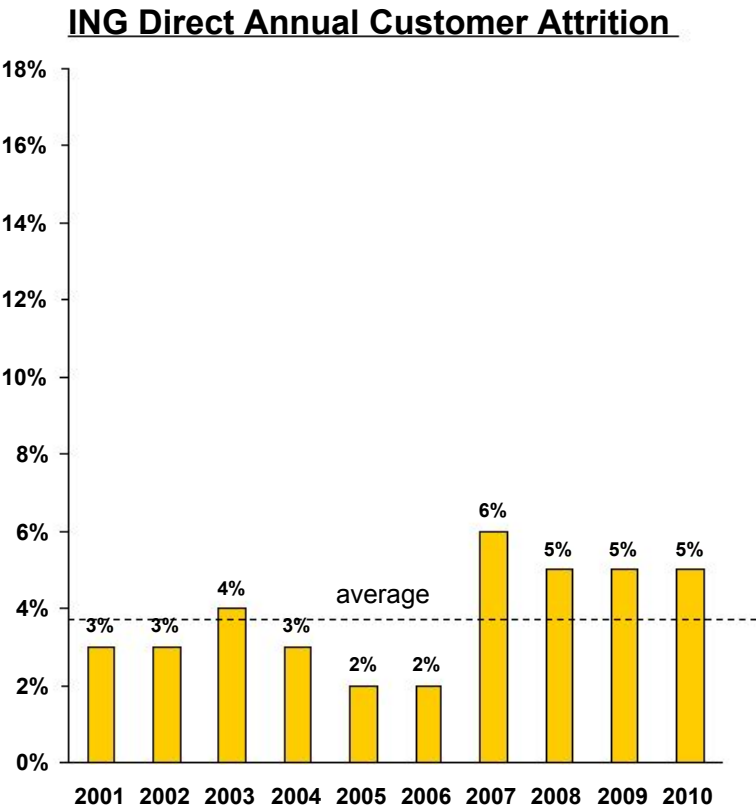
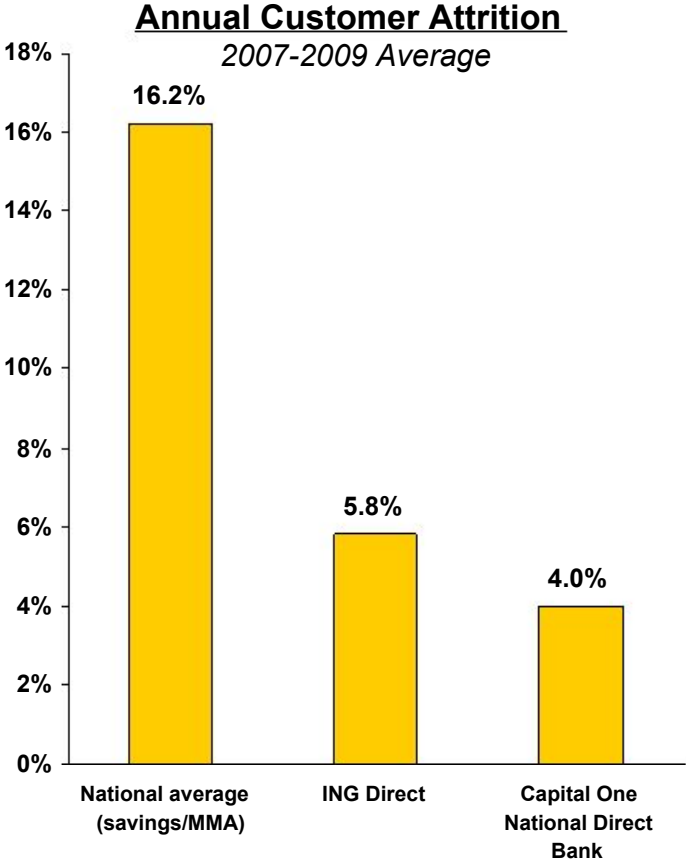
Deposit Growth
Q1 2010 - Q1 2011



- * Excludes foreign deposits
- ** Excludes brokered deposits.
- *** Excludes impact from acquisitions.

Additional notes: B of A also excludes "negotiable CDs, public funds, and other time deposits" category. SunTrust excludes both foreign and brokered deposits.
Source: Company reports.

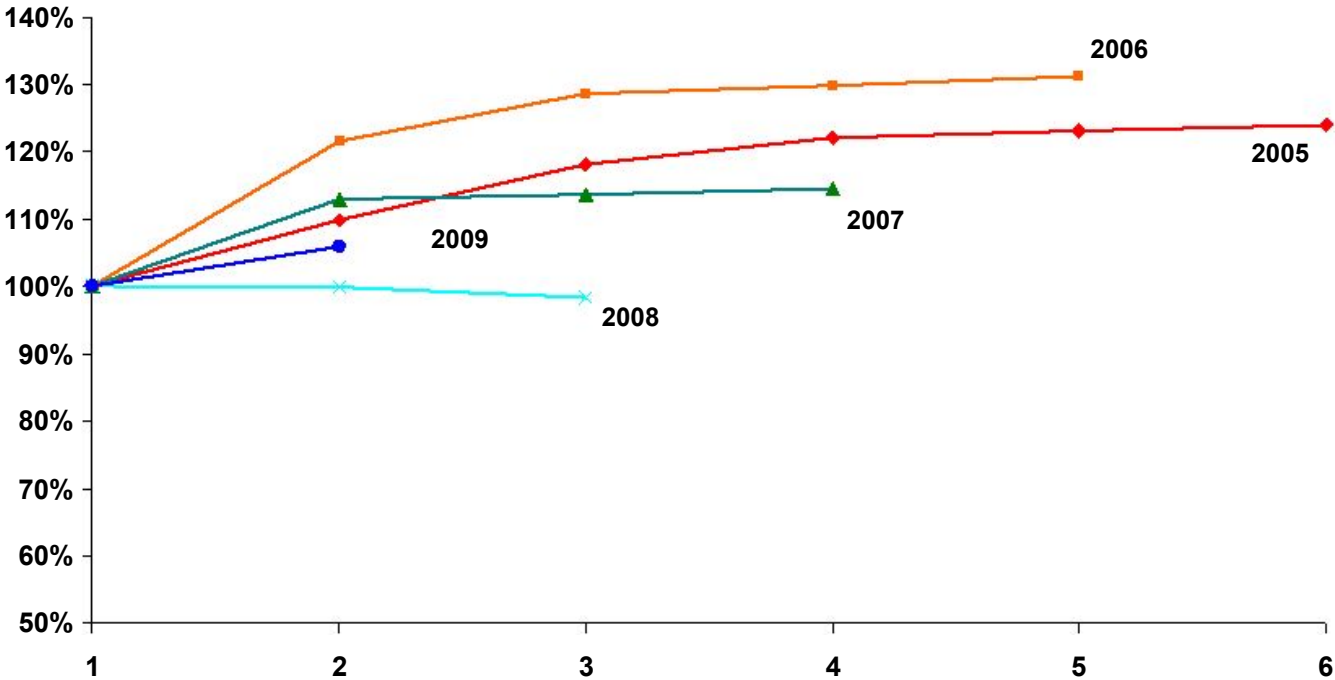
ING Direct deposit customers are exceptionally loyal



Source: ING Direct; BAI Deposit Performance Benchmarking (May 2010)

ING Direct customers maintain and grow balances over time

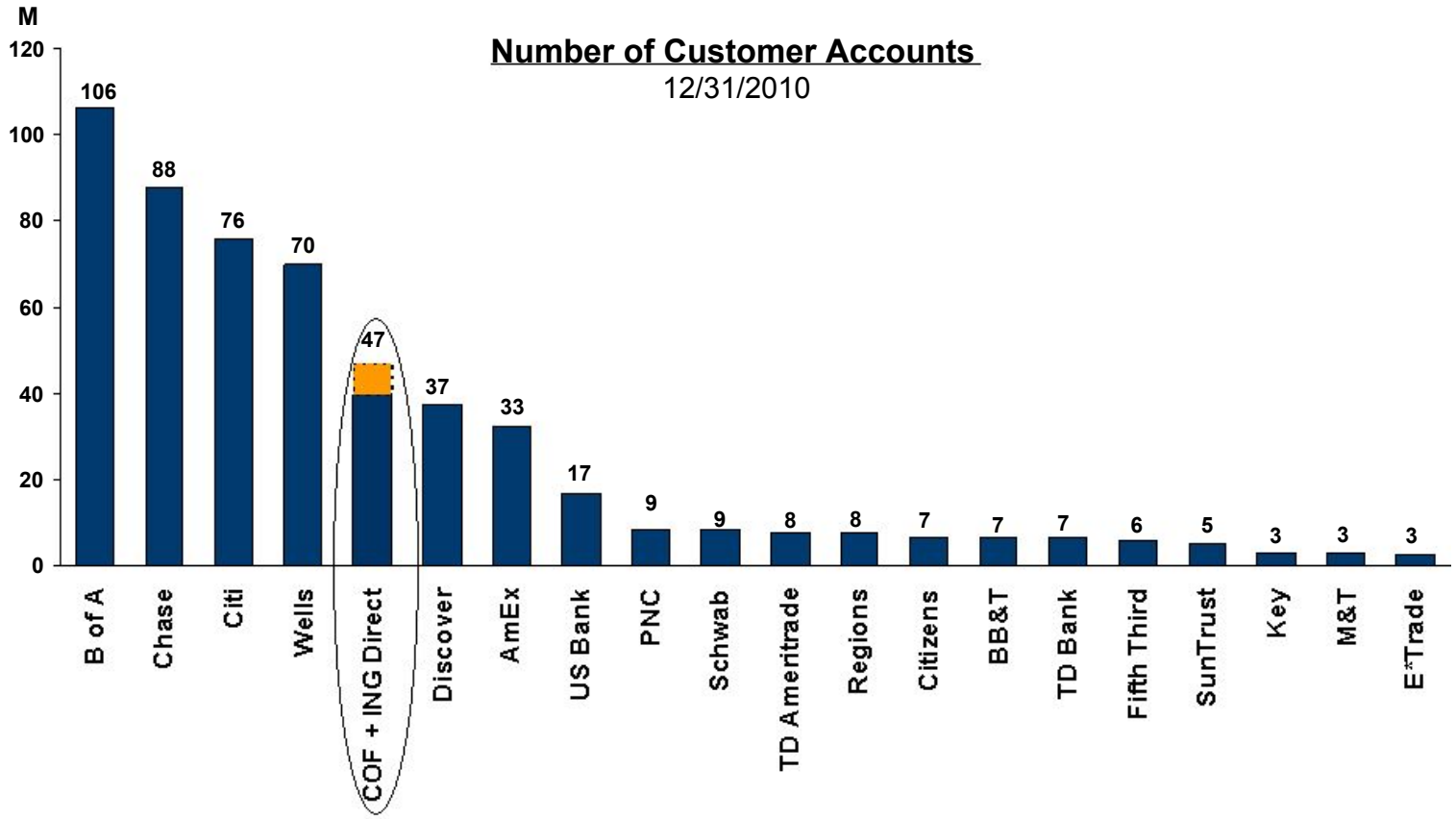
ING Direct Balance View by Cohort*



*Includes certificate of deposit bookings

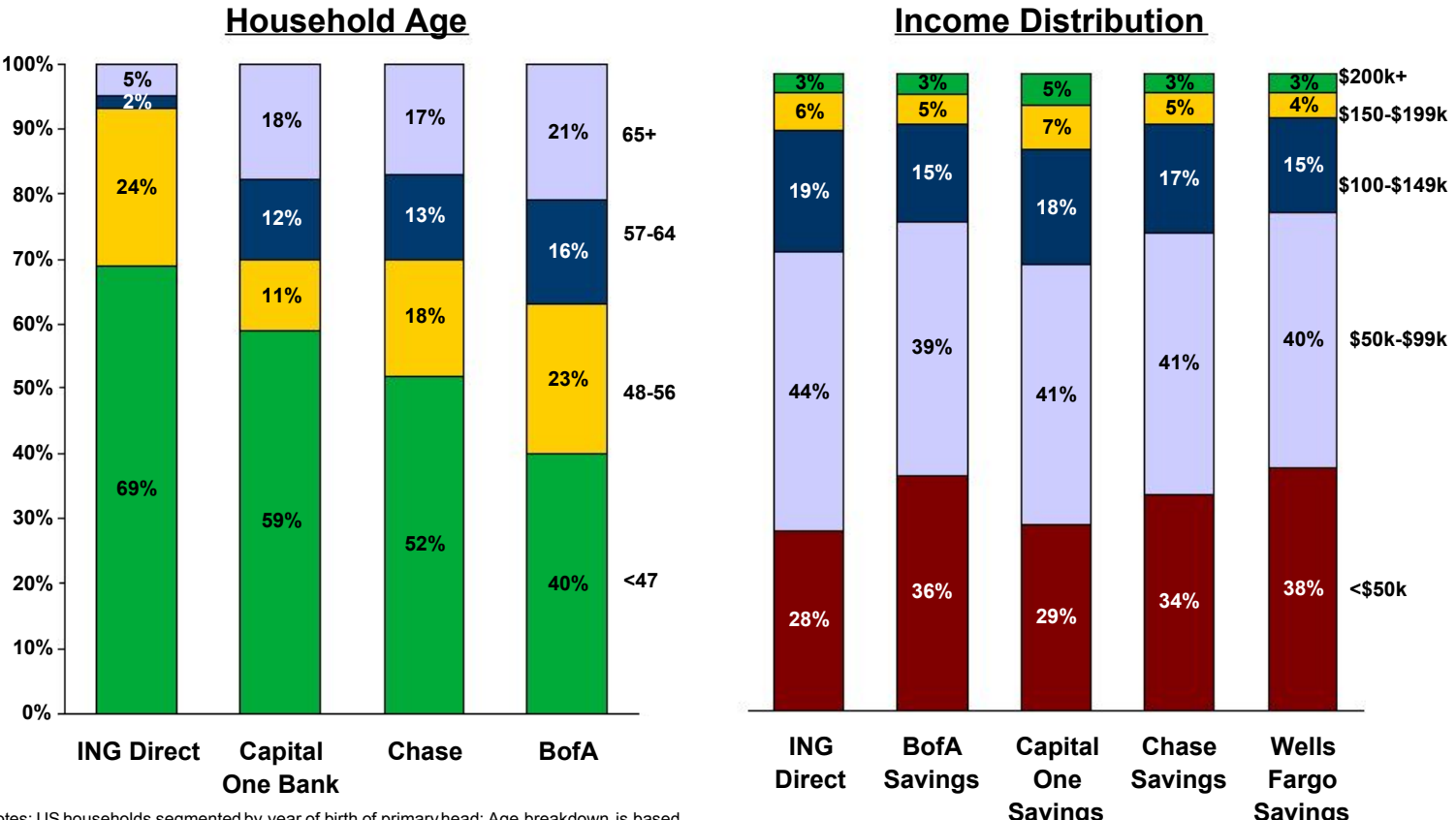
Source: ING Direct; BAI Deposit Performance Benchmarking (May 2010)

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

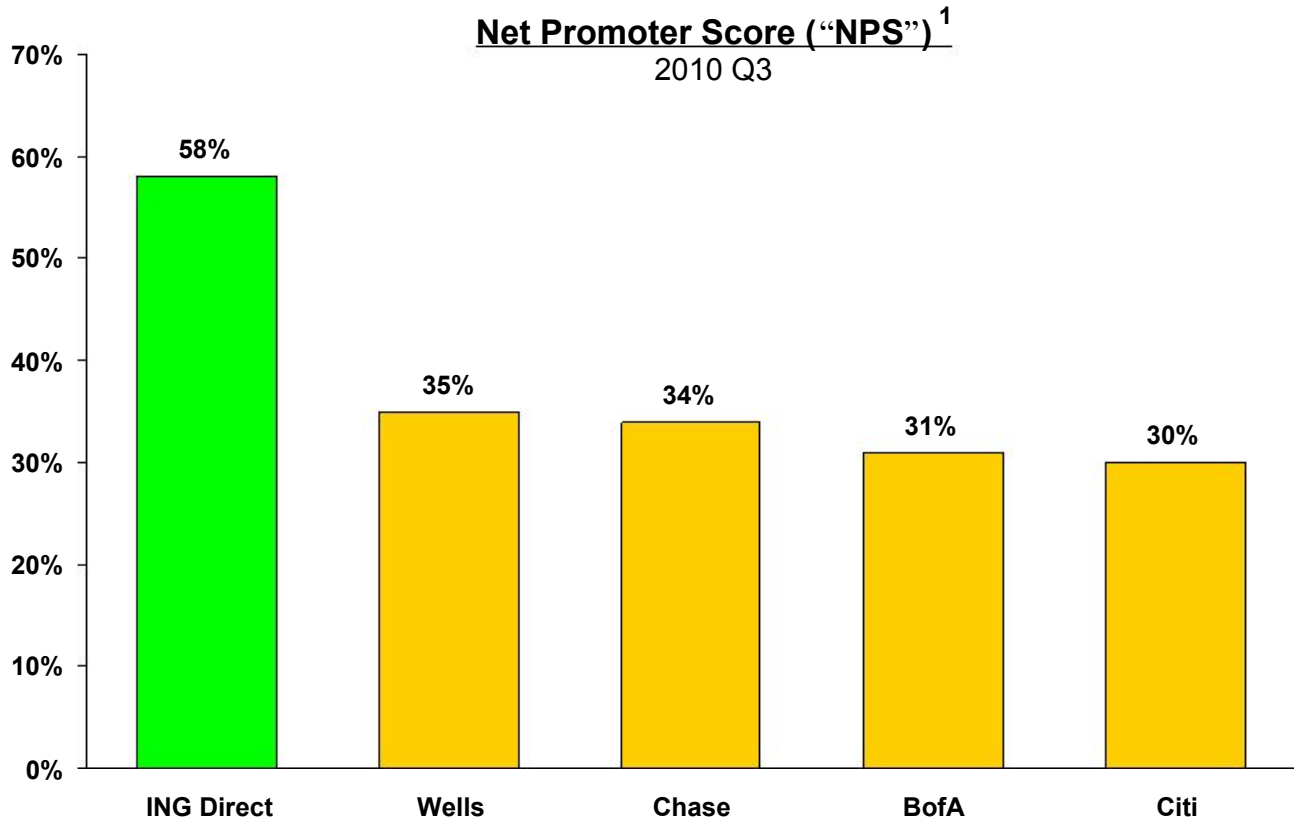
ING Direct's customers are young and have attractive income and potential



Notes: US households segmented by year of birth of primary head; Age breakdown is based on those responding each institution was his or her "Primary Bank or Credit Union"
 Source: MacroMonitor

Source: Lightspeed (Panel size 174,925)

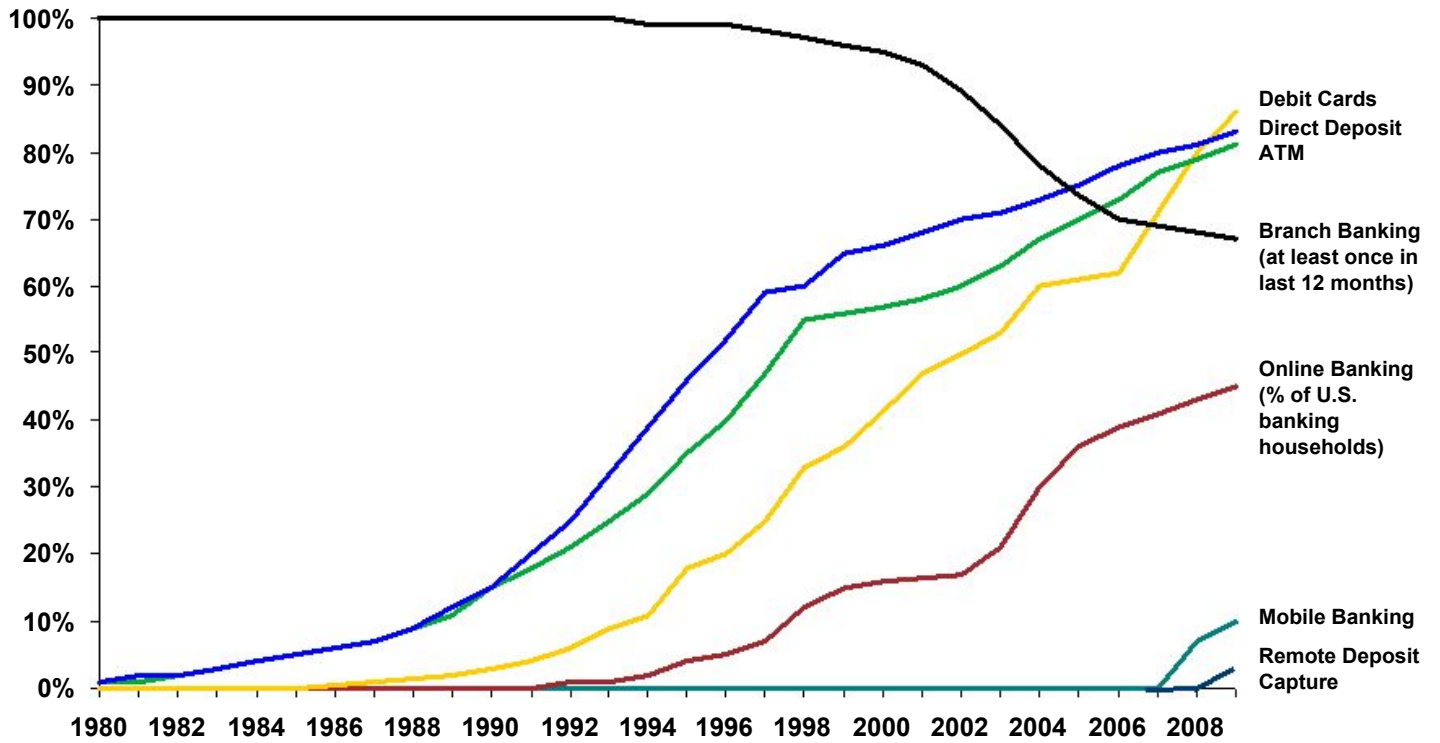
ING Direct customers are avid supporters of the franchise



¹ 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



Source: Federal Reserve, FRB Boston, FRB Philadelphia, SRI Consulting, University of Michigan, Mintel, Celent, Bank of America, comScore, Nielsen Mobile, Wall Street Journal, Mercatus Analytics

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

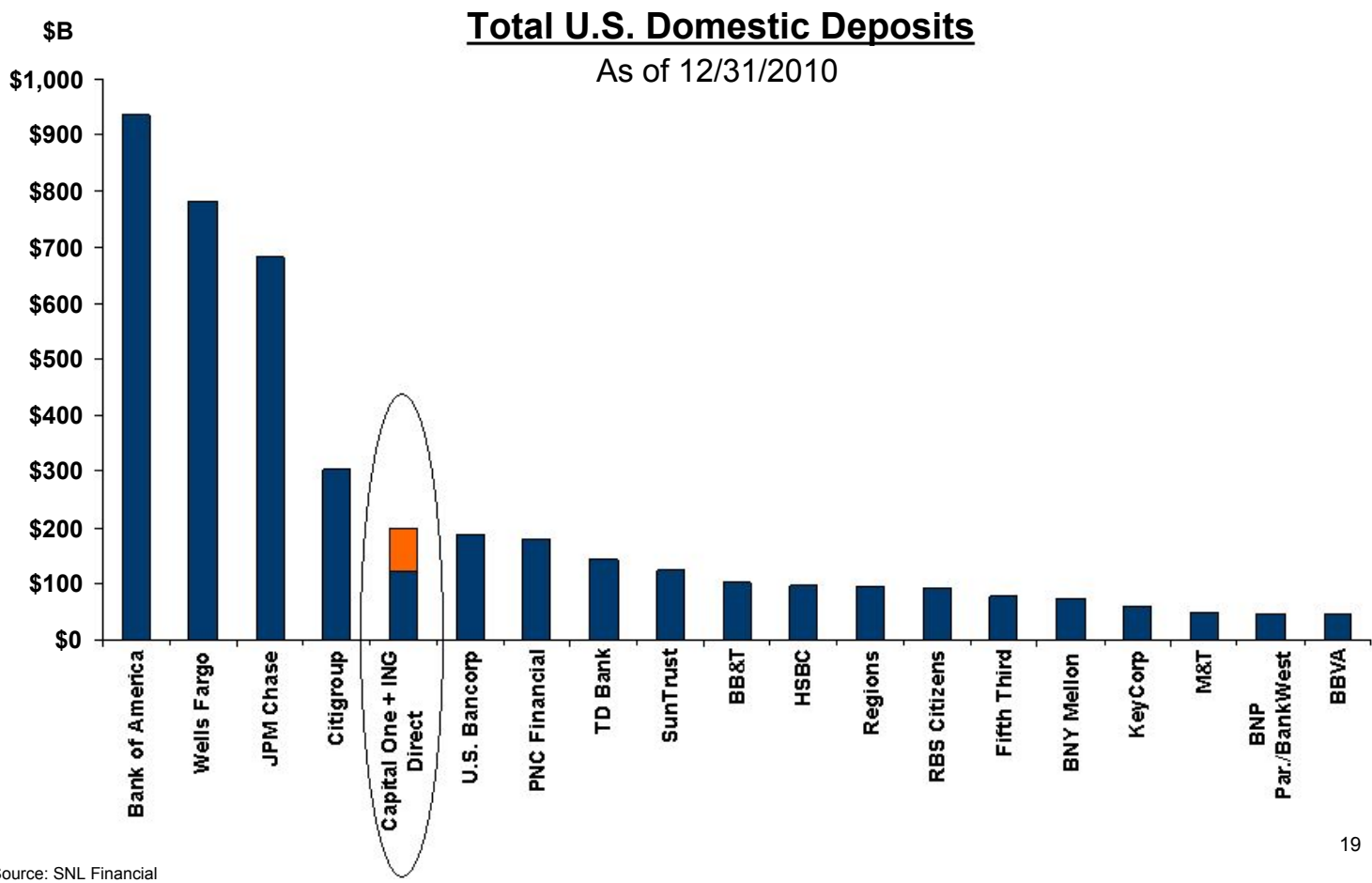
National banking reach

Industry-leading direct banking franchise

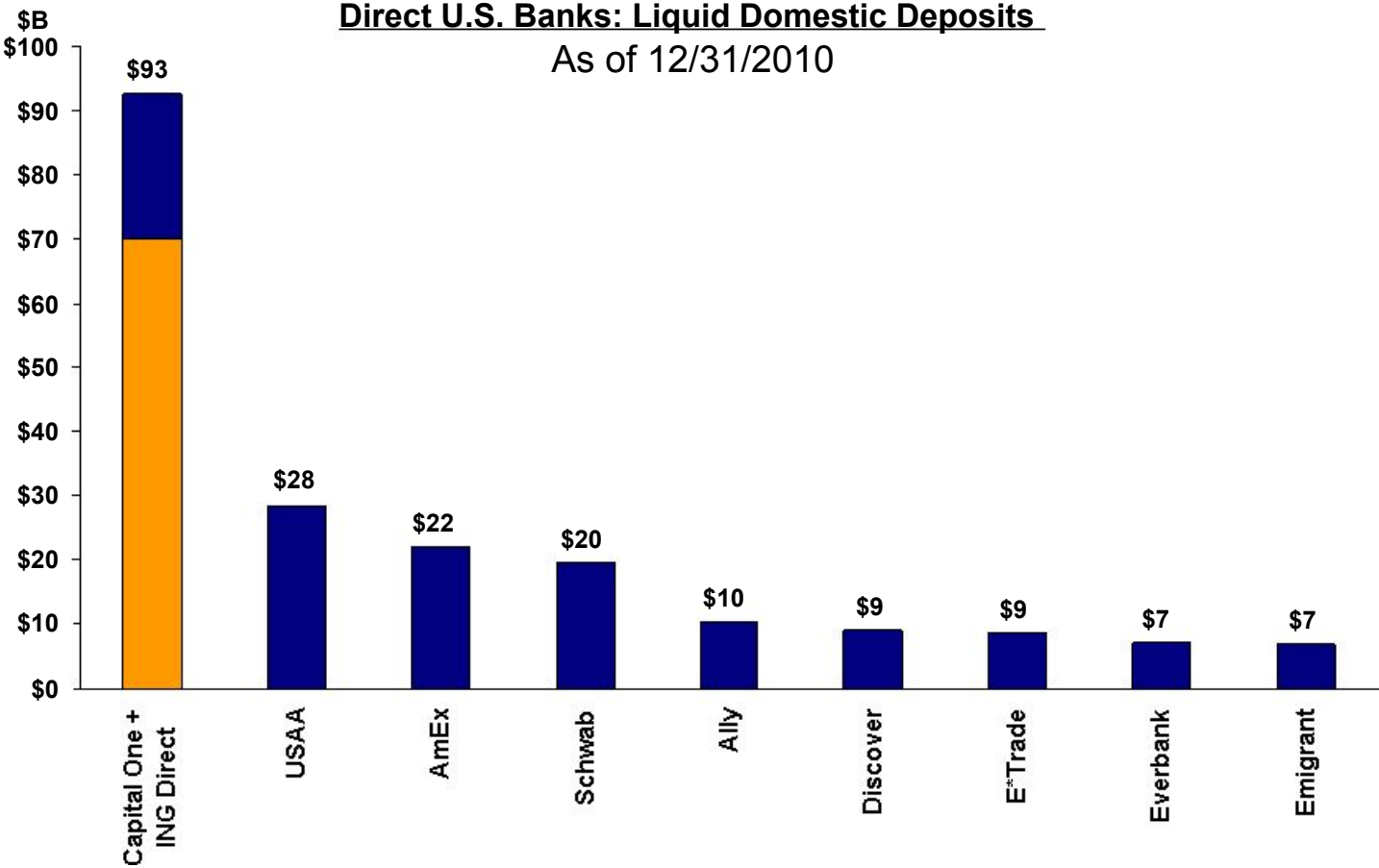
Direct brokerage

**Powerful national brand
Very large national customer base**

With ING Direct we become the 5th largest U.S. bank



With ING Direct we become the largest direct bank



Source: SNL Financial, Company reports

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

Earnings¹	COF: IBES EPS estimates through 2013 ING Direct: Baseline annual earnings of \$630MM ¹	
Synergies	Base case includes cost and modest funding synergies Upside potential from balance sheet repositioning, cross-sell, and additional funding synergies	} See next page
Gross Credit Mark²	Gross credit mark of \$1.7B (~4.2% of loans)	
Intangibles + Goodwill³	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 Run-Rate
Cost Savings	Consolidation of direct banking and mortgage platform Infrastructure / data center savings Corporate systems rationalization Staff function consolidation	\$90MM (~12% of ING Direct's costs)	\$90MM
Deposit / Funding Optimization	Volume / deposit mix opportunities in combined portfolio	10 bps \$200MM	15-25 bps \$300MM to \$450MM
Cross-Sell	ShareBuilder online brokerage Capital One Venture card	None Included	\$50-70MM
Balance Sheet Repositioning	Replace planned ING Direct assets with additional card, auto, and commercial assets	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 Returns¹	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

Note: See "Financial Assumptions" in this presentation for underlying assumptions; IRR and ROIC calculations based on 6% TCE.

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



FOR IMMEDIATE RELEASE: June 16, 2011

Contacts: Jeff Norris	Danielle Dietz	Tatiana Stead	Julie Rakes
Investor Relations	Investor Relations	Media Relations	Media Relations
703-720-2455	703-720-2455	703-720-2352	804-284-5800

Capital One to Acquire ING Direct for \$9.0 Billion in Stock and Cash
Combination Delivers Attractive Financial Results and Long-Term Strategic Value

Industry-leading direct banking franchise with national reach
 Adds 7 million young, high-income, loyal customers
 Immediately accretive to EPS and tangible book value per share
 Above-hurdle returns on invested capital in 2013 and beyond
 Expected IRR greater than 20 percent
 Accretive to long term growth, returns and capital generation

Note: Analyst conference call and webcast scheduled for Thursday, June 16 at 5:15 pm EDT, details at the end of this release.

MCLEAN, Va., June 16, 2011 - Capital One Financial Corporation (NYSE: COF) announced today a definitive agreement under which Capital One will acquire ING Direct from ING Groep in a stock and cash transaction valued at \$9.0 billion. Currently the 8th largest bank in the United States, based on deposits, Capital One's acquisition of ING Direct combines ING Direct's valuable national direct deposit franchise with Capital One's advantaged access to assets and local scale branch banking. The combination strengthens Capital One's customer franchise and brand and provides significant financial and strategic upside with low execution risk. Upon closing, Capital One will become the 5th largest depository institution and the leading direct bank in the United States.

Under the agreement, Capital One will purchase ING Direct from ING Groep for \$6.2 billion in cash and approximately 55.9 million Capital One shares, valued at \$2.8 billion, based on a Capital One

share price of \$50.07, the 10-day average of Capital One closing prices for the period ending June 15, 2011. Capital One expects this transaction will be accretive to tangible book value at closing, accretive to EPS in 2012 and result in mid-single digit accretion in 2013.

Capital One expects to finance the cash portion of the consideration, in part, through a public equity raise of approximately \$2 billion and debt offerings of approximately \$3.7 billion prior to the close of the transaction.

“The acquisition of ING Direct is a game-changing transaction that delivers attractive deal economics immediately and compelling long-term strategic value,” said Richard D. Fairbank, Chairman and Chief Executive Officer of Capital One. “The combination of Capital One and ING Direct creates a unique and valuable banking franchise that includes advantaged access to assets, great local scale branch banking in attractive markets, and with ING Direct, the leading direct bank customer franchise with national reach. Adding ING Direct enhances and sustains key sources of shareholder value over the long-term, including growth, returns and capital generation.”

Capital One will work closely with ING Direct’s leadership team to establish a management structure designed to ensure that the combined company achieves the highest quality integration and has the best leadership in place to build on ING Direct’s great customer franchise.

In connection with the transaction, Capital One expects to realize \$90 million from consolidating systems, platforms and corporate staff functions. In addition to these cost synergies, Capital One expects to achieve funding savings of \$200 million annually from optimizing management of the combined deposit portfolio. Beyond these amounts, there are potential additional synergies from cross-selling the ShareBuilder online brokerage products to Capital One customers and select Capital One products to ING Direct customers, and from balance sheet repositioning opportunities. The company will incur \$210 million of merger and integration costs in connection with the acquisition.

“ING Direct is a tremendous franchise,” Fairbank added. “Its innovative platform and customer-focus are well aligned with Capital One’s own vision. We are committed to sustaining and enhancing the great customer relationships that have been central to the success of both banks.”

In connection with ING Groep’s 9.9 percent pro forma ownership stake in Capital One, ING Groep will have the right to name one member to the company’s Board of Directors and has agreed to a customary lock-up on its shares. The transaction is subject to customary regulatory approvals,

including banking approvals in both the U.S. and The Netherlands, and is expected to close in late 2011 or early in 2012.

Morgan Stanley, Barclays Capital and Centerview Partners LLC acted as financial advisers to Capital One and Wachtell, Lipton, Rosen and Katz, Mayer Brown and Loyens & Loeff acted as legal advisers.

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About Capital One

Capital One Financial Corporation (www.capitalone.com) is a financial holding company whose subsidiaries, which include Capital One, N.A. and Capital One Bank (USA), N. A., had \$125.4 billion in deposits and \$199.3 billion in total assets outstanding as of March 31, 2011. Headquartered in McLean, Virginia, Capital One offers a broad spectrum of financial products and services to consumers, small businesses and commercial clients. Capital One, N.A. has approximately 1,000 branch locations primarily in New York, New Jersey, Texas, Louisiana, Maryland, Virginia and the District of Columbia. A

Fortune 500 company, Capital One trades on the New York Stock Exchange under the symbol "COF" and is included in the S&P 100 index.

##

Capital One Hosts Analyst Conference Call

Capital One's webcast of the analyst conference call is scheduled for Thursday, June 16 at 5:15 pm EDT. The webcast will be accessible on Capital One's home page (www.capitalone.com). Choose "Investors" under "Corporate Information" on the bottom left corner of the home page to access the webcast and view and download the press release, slides, and other financial information.