

FINANCIAL SERVICES ADVISOR™

Monthly insights from Compete for financial services executives

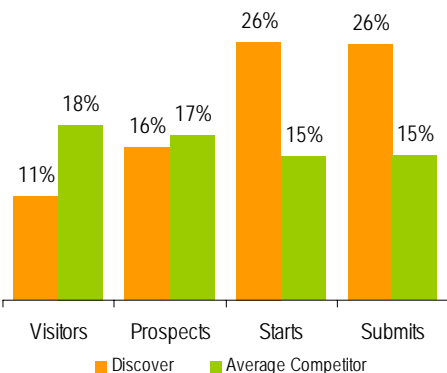
DISCOVER LEVERAGES YOUNG CONSUMERS TO OUTPACE COMPETITORS

While competitors as a group have remained flat since January, Discover Card has managed to almost double its number of monthly online credit card applications. Discover's monthly volumes have gone from an average of 320,000 submits in February through May to 580,000 in July through September. Discover's online application volume now exceeds key competitors including Bank of America, Capital One, Chase and Citibank.

One factor in the growth of Discover's online applications has been its media investment. Over the time periods above, Nielsen Monitor-Plus reports that Discover more than doubled its monthly media spend. In particular, Discover grew two media channels more rapidly than others during that time: TV and Internet.

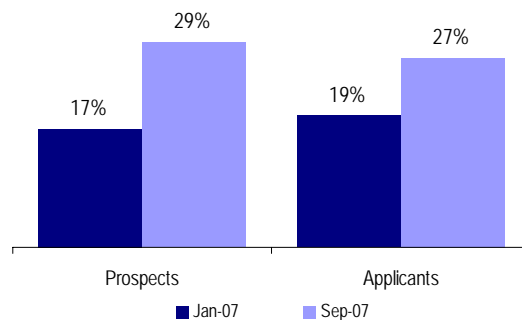
On the Internet, Discover appears to have increased its investment in "student"-related search terms. "Student credit cards" is among the top 25 terms that drive traffic to discover.com. This appeal to younger consumers is reflected in the changing composition of prospects and applicants at the site. Compared to earlier this year, Discover has lowered the average age of people visiting and applying at its site. Consumers in the "under 24" age group now make up 29% of discover.com card shoppers (up from 17% in January) and 27% of Discover card online applicants (up from 19% in January). This is a motivated consumer; in August, almost half of discover.com card shoppers in the "under 24" age group completed and submitted online applications.

Share of Online Activity* (Q3, 2007)



Discover also outperforms competitors in driving consumers through the online application funnel. By attracting a motivated consumer and keeping the path to application as uncluttered as possible, Discover manages to increase its share the deeper it goes into the funnel. In other words, Discover captures a greater share of online applications than it does of online card shoppers. No competitor can make that same claim.

Discover Prospects and Applicants Under 24 (January and September, 2007)



The company is getting more volume from its partnerships with online incentive sites such as giffreebies.com, topconsumergifts.com and superbrewards.com. Referrals to discover.com from incentive sites have increased by 80% so far this year. Compete has observed that referrals from these sites convert to completed credit card applications at discover.com at a rate 10 percentage points higher than the average discover.com card shopper.

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Monthly Metrics

Change in Volume of Search Queries August - September 2007

| Top non-branded insurance terms | |
|---------------------------------|--------|
| auto insurance | ▼ -28% |
| car insurance | ▼ -10% |
| insurance | ▼ -28% |
| Top non-branded brokerage terms | |
| stock(s) | ▼ -15% |
| mutualfund(s) | ▲ 125% |
| cd rates | ▲ 8% |
| Top non-branded home loan terms | |
| home equity loan | ▼ -40% |
| mortgage calculator | ▼ -24% |
| mortgage rates | ▲ 0.4% |

Change in Online Prospect and Applicant Volume

| Product category | Prospects | Applicants |
|------------------|-----------|------------|
| auto insurance | ▼ -15% | ▼ -4% |
| brokerage | ▲ 26% | ▼ -17% |
| home loans | ▲ 3% | ▼ -4% |

Online search behavior declined across most financial services categories from August into September. Previously, auto insurance prospect and applicant volumes had grown against a decline in search, but that trend has since reversed. While most brokerage search terms reversed an upward climb seen in past months, "mutual funds" increased its monthly growth rate from 117% to 125%. However, brokerage applicant volume has now stalled. Finally, home loan prospect volume continues to grow, while applicant volume remains on the decline.

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*For 2007-Q3, competitors: American Express, Bank of America, Capital One, Chase and Citibank