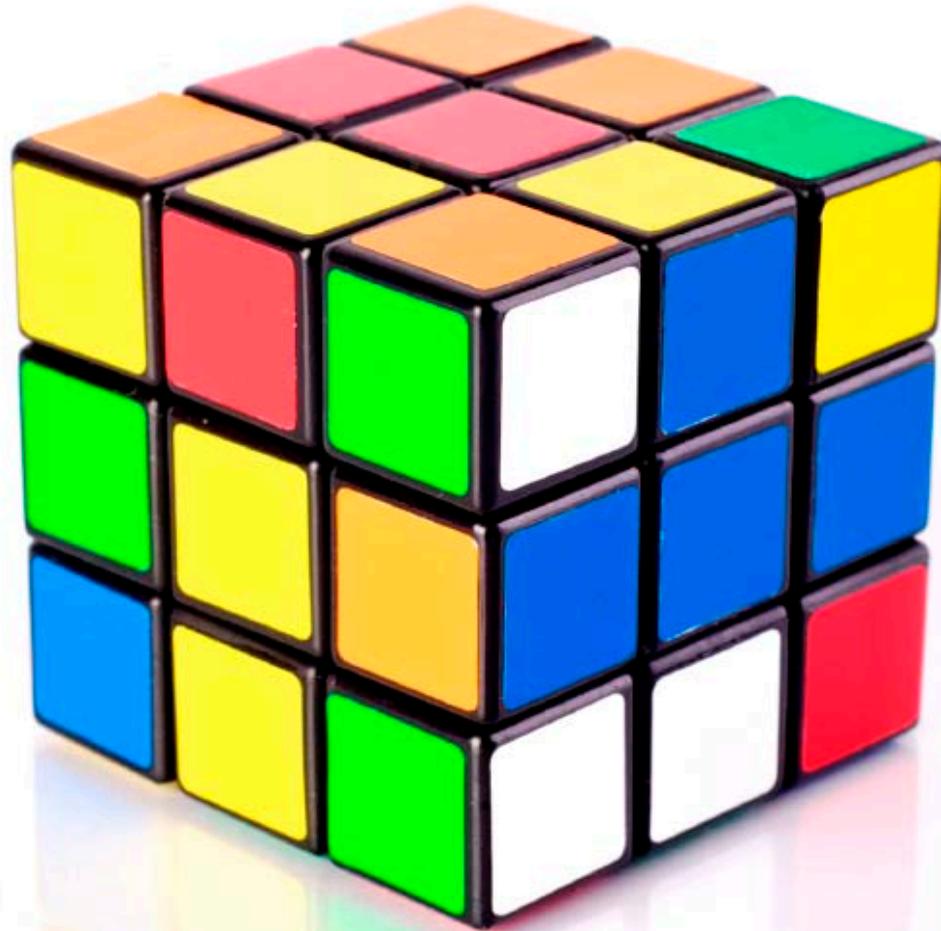


Federal Reserve Bank of Chicago and DePaul University's Center for Financial
Services 4th Annual Financial Institution Risk Management Conference



Lessons Learned

David Nelms
Chairman & CEO
April 12, 2011



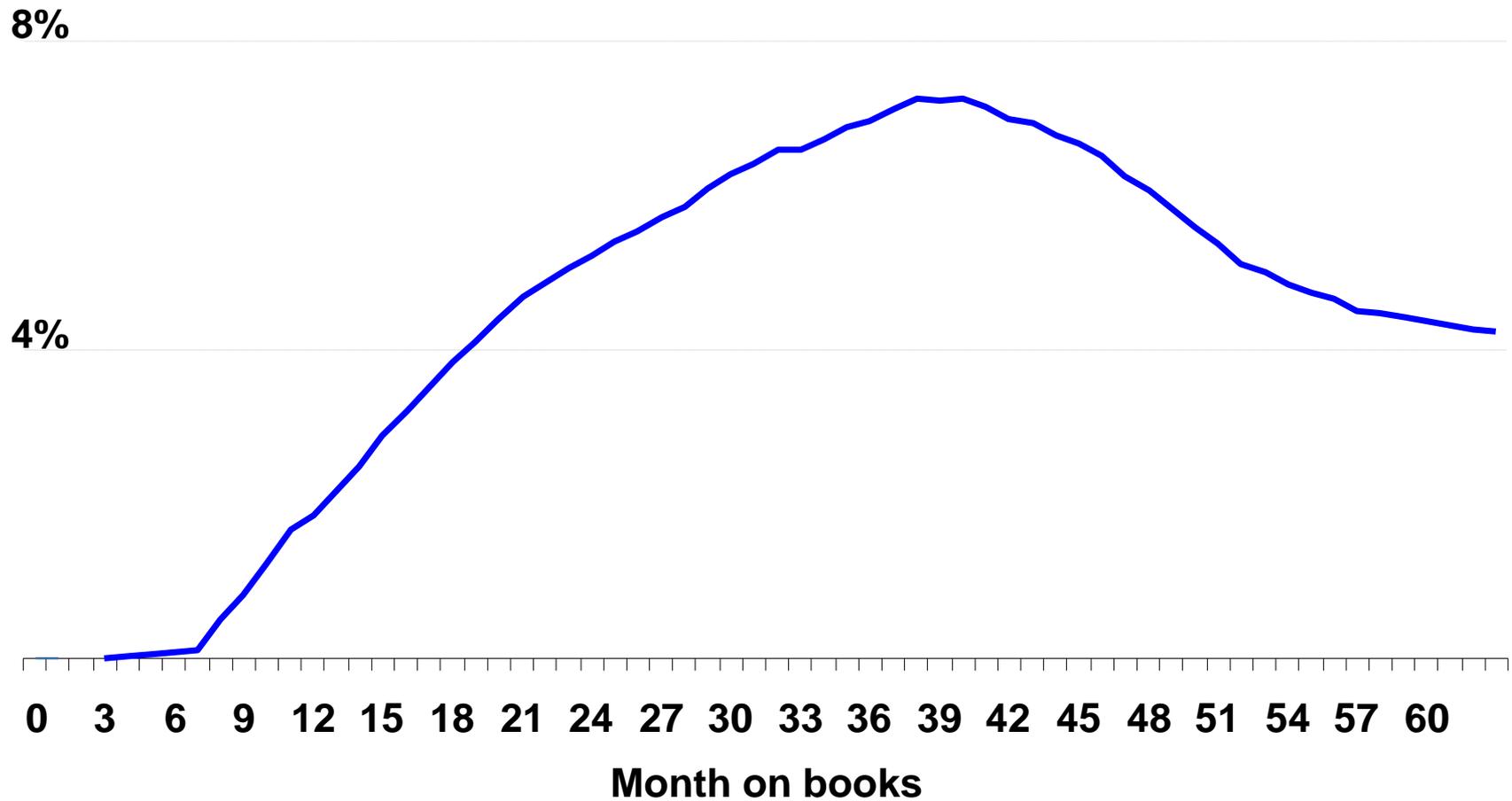
Become the Leading Direct Banking and Payments Company



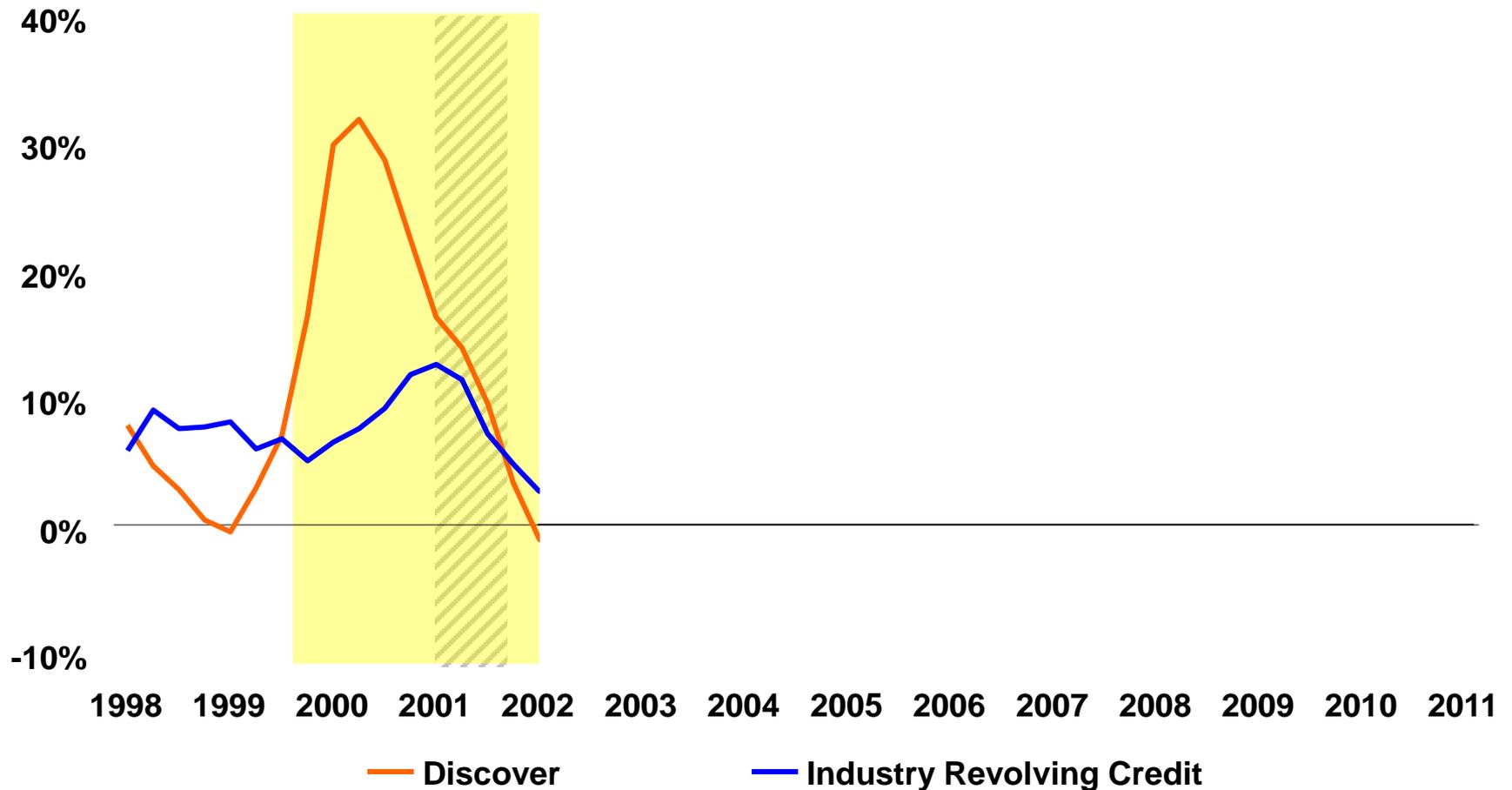
Discover Past Four Quarters

Network Volume	\$257 Bn (+10%)
Direct-to-Consumer Deposits	\$22 Bn (+47%)
30+ Day Delinquency Rate	3.4%
Ending TCE Ratio	10.2%
ROE	21%
Stock Price Change <small>(2/26/10 – 2/28/11)</small>	+59%

Typical Credit Card Charge-off Vintage Curve



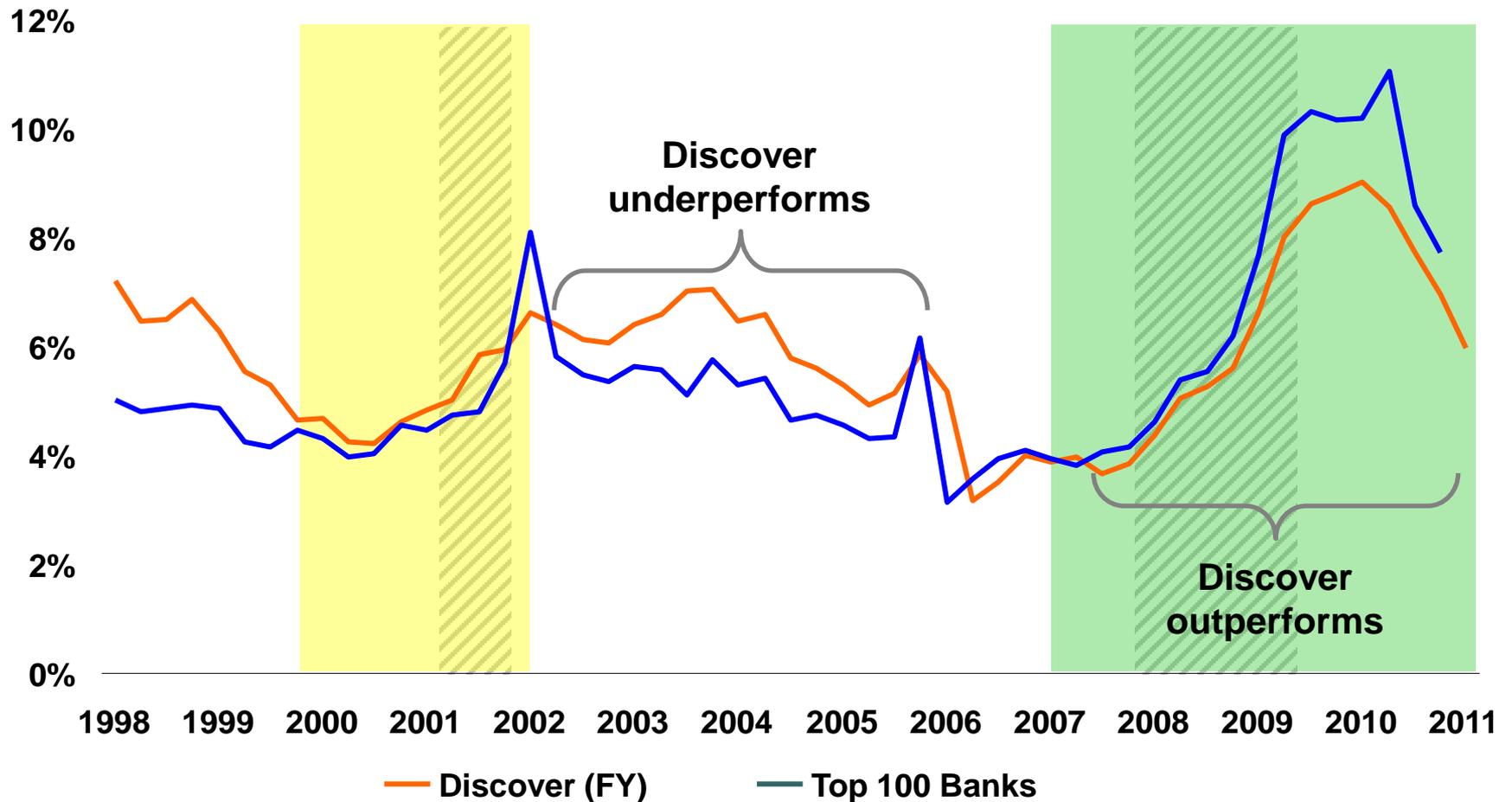
Discover Credit Card Growth vs Industry



Source: Discover and Federal Reserve (Fed G.19)

Legend: Pattern = recession

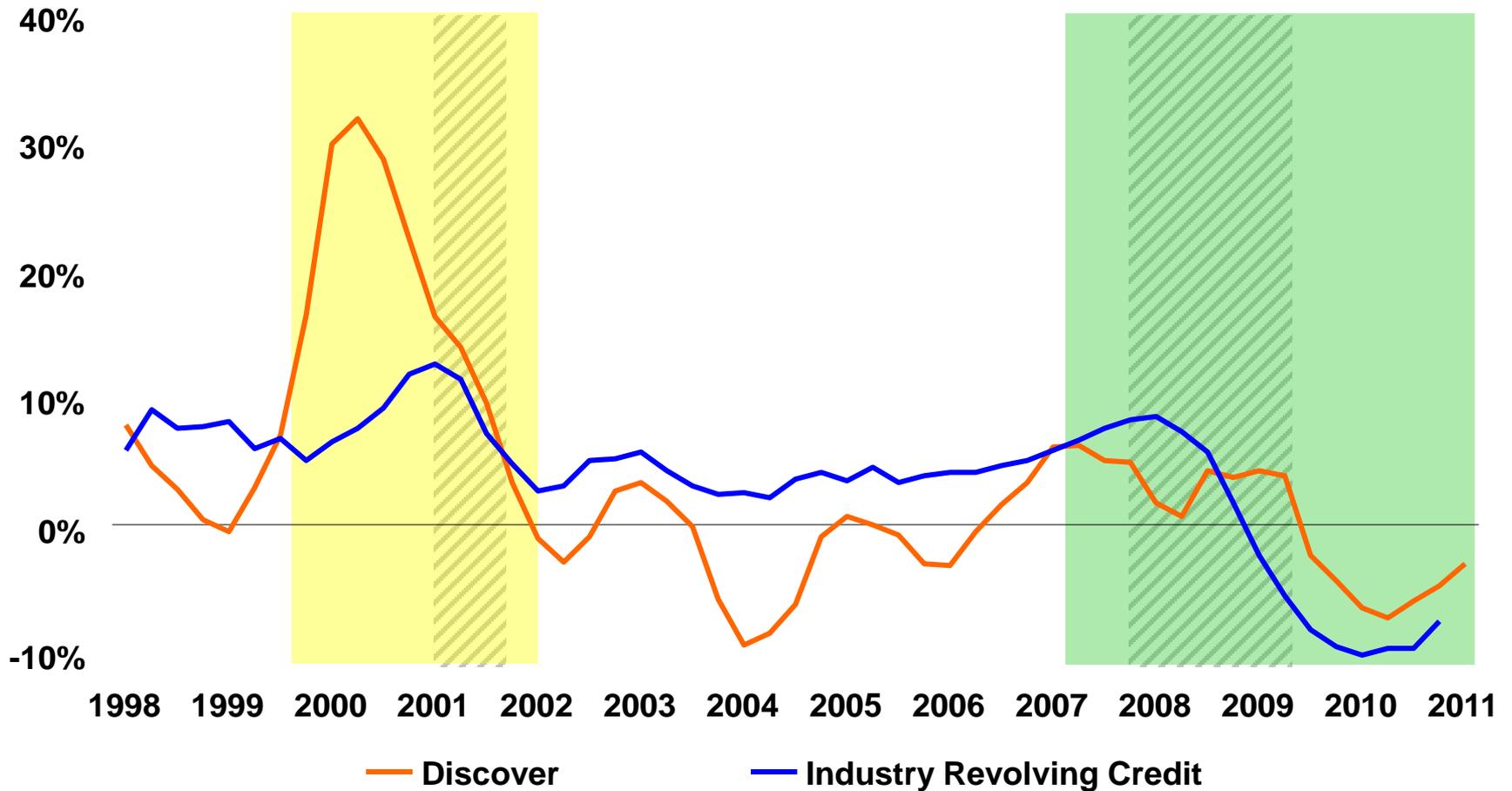
Discover Credit Card Net Charge-Offs vs. Industry



Source: Federal Reserve and Discover

Legend: Pattern = recessions

Discover Credit Card Growth vs Industry

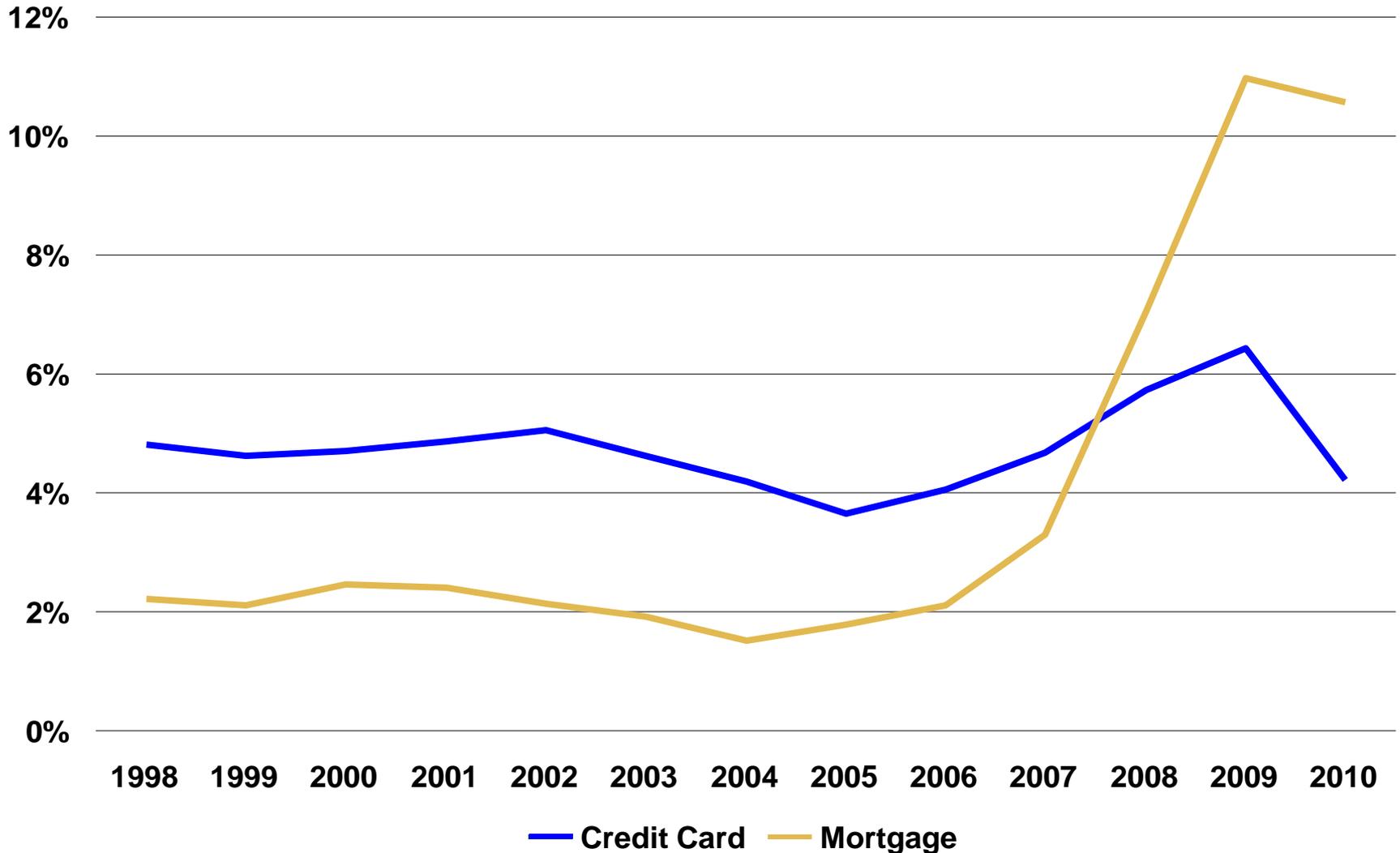


Source: Discover and Federal Reserve (Fed G.19)

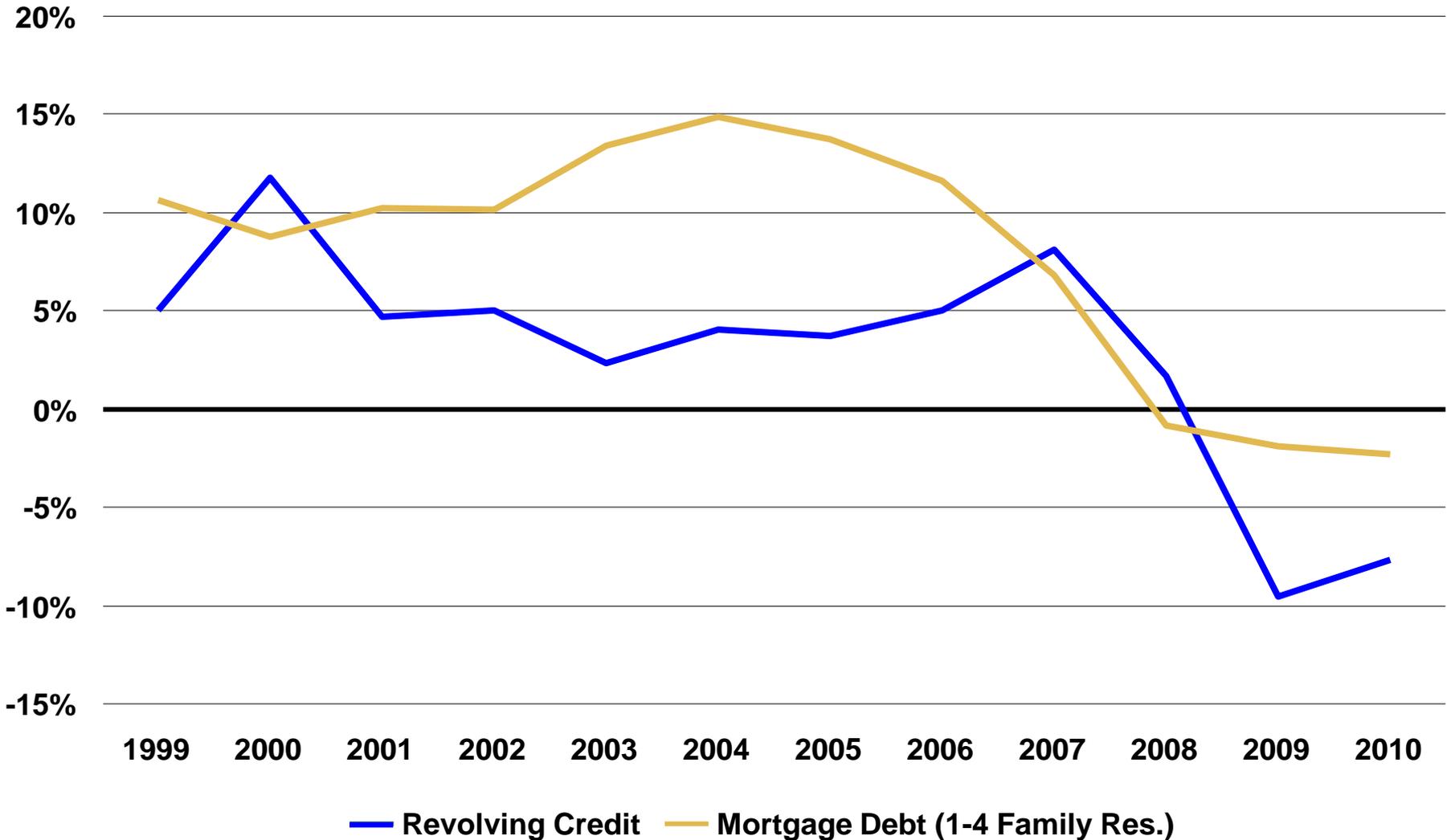
Legend: Pattern = recessions

Credit Card vs Mortgage Delinquencies

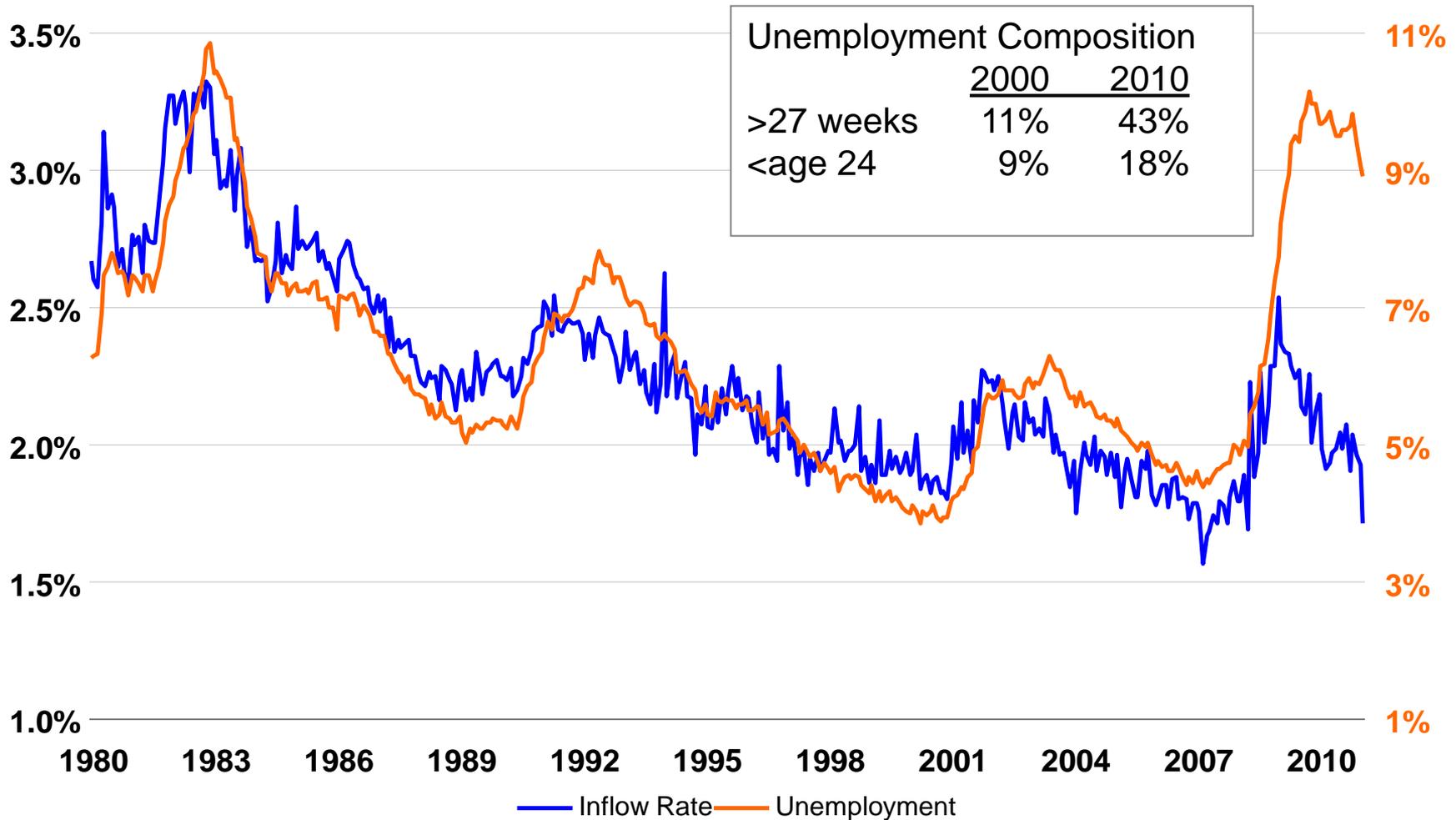
30+ day delinquency rate



Mortgage Bubble – in mid-2000s, mortgage growth rates far exceeded revolving credit growth rates



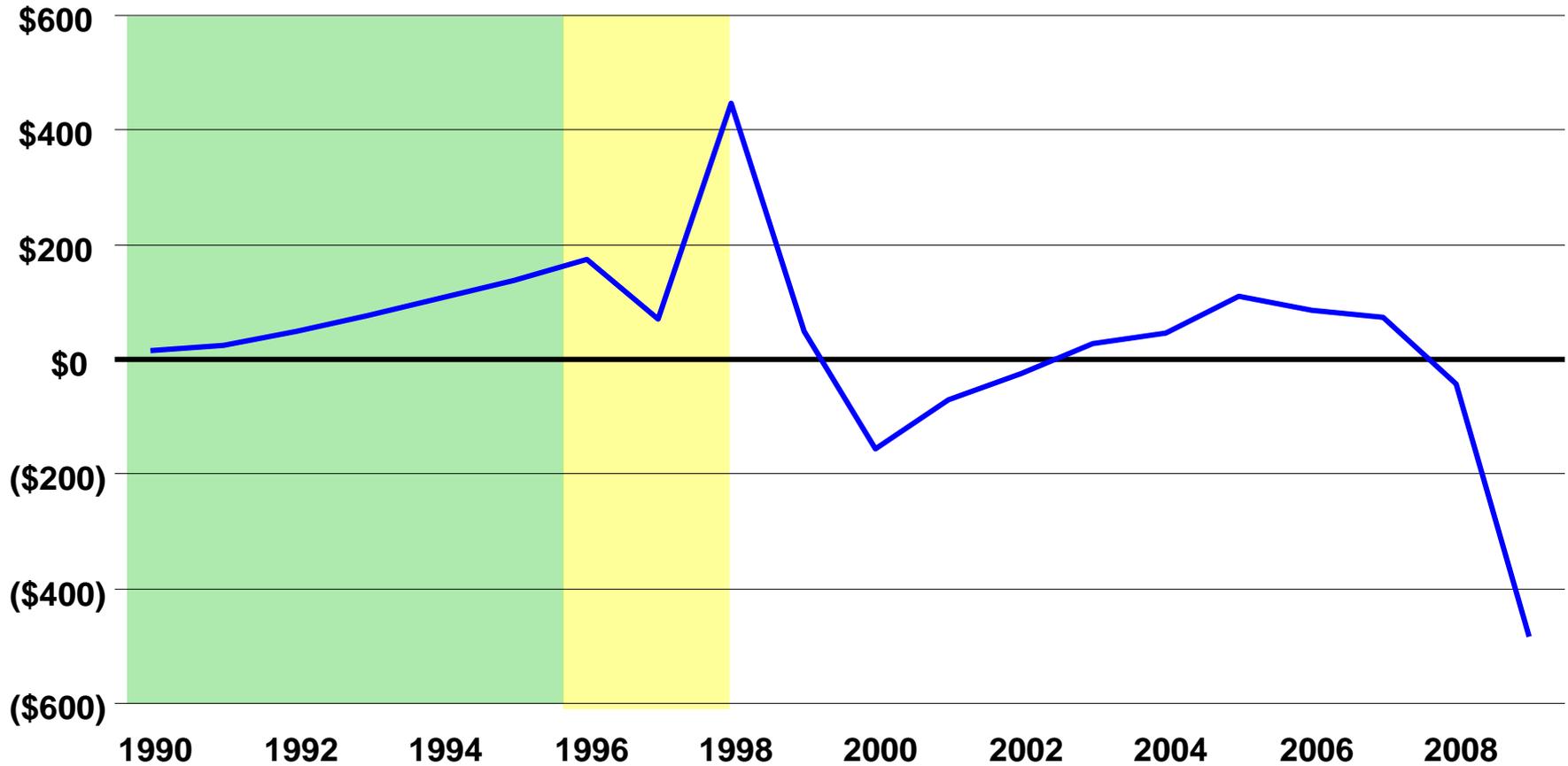
Credit card charge-offs are tracking with unemployment inflows, not total unemployment



Source Bureau of Labor Statistics

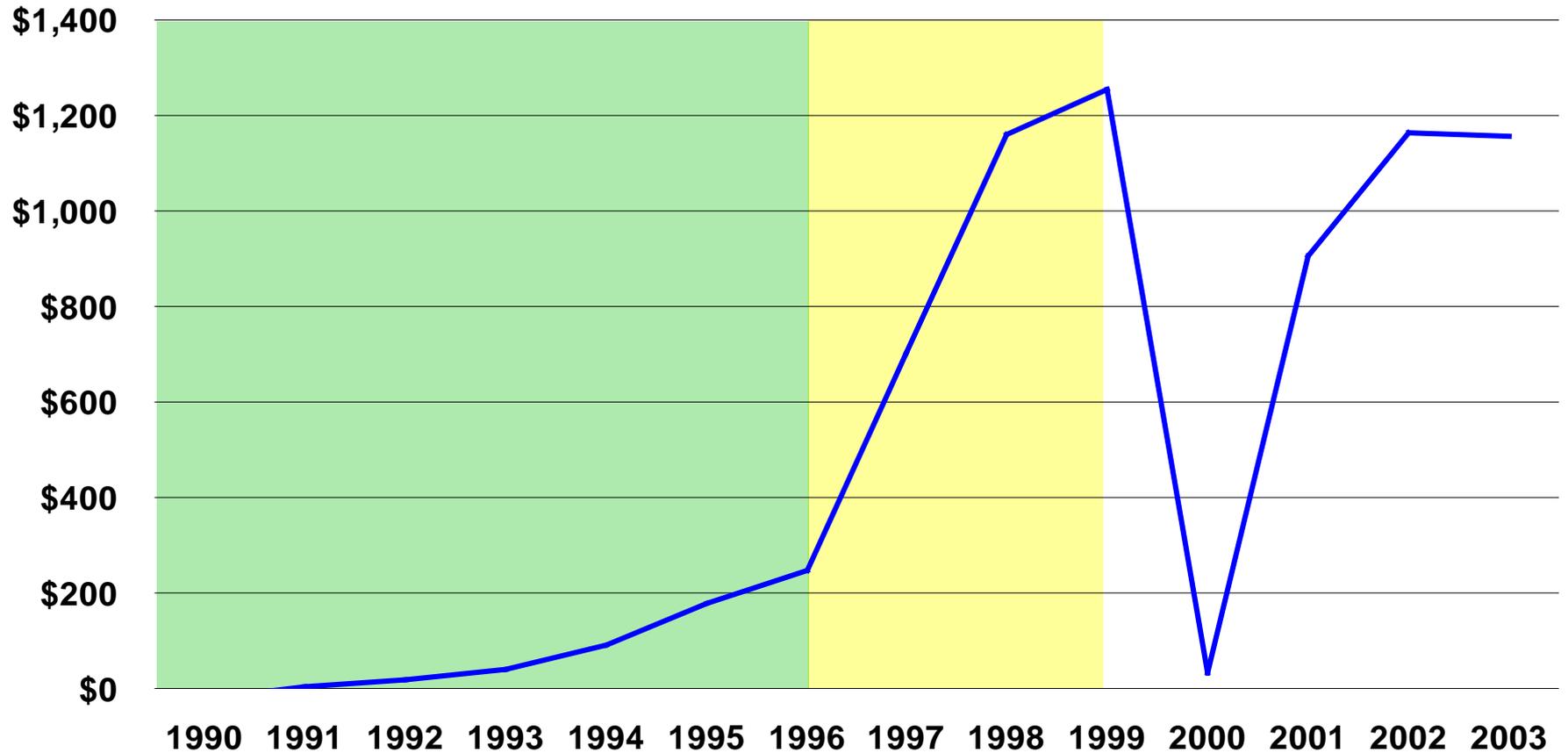
Advanta

Net Income (millions)



First USA

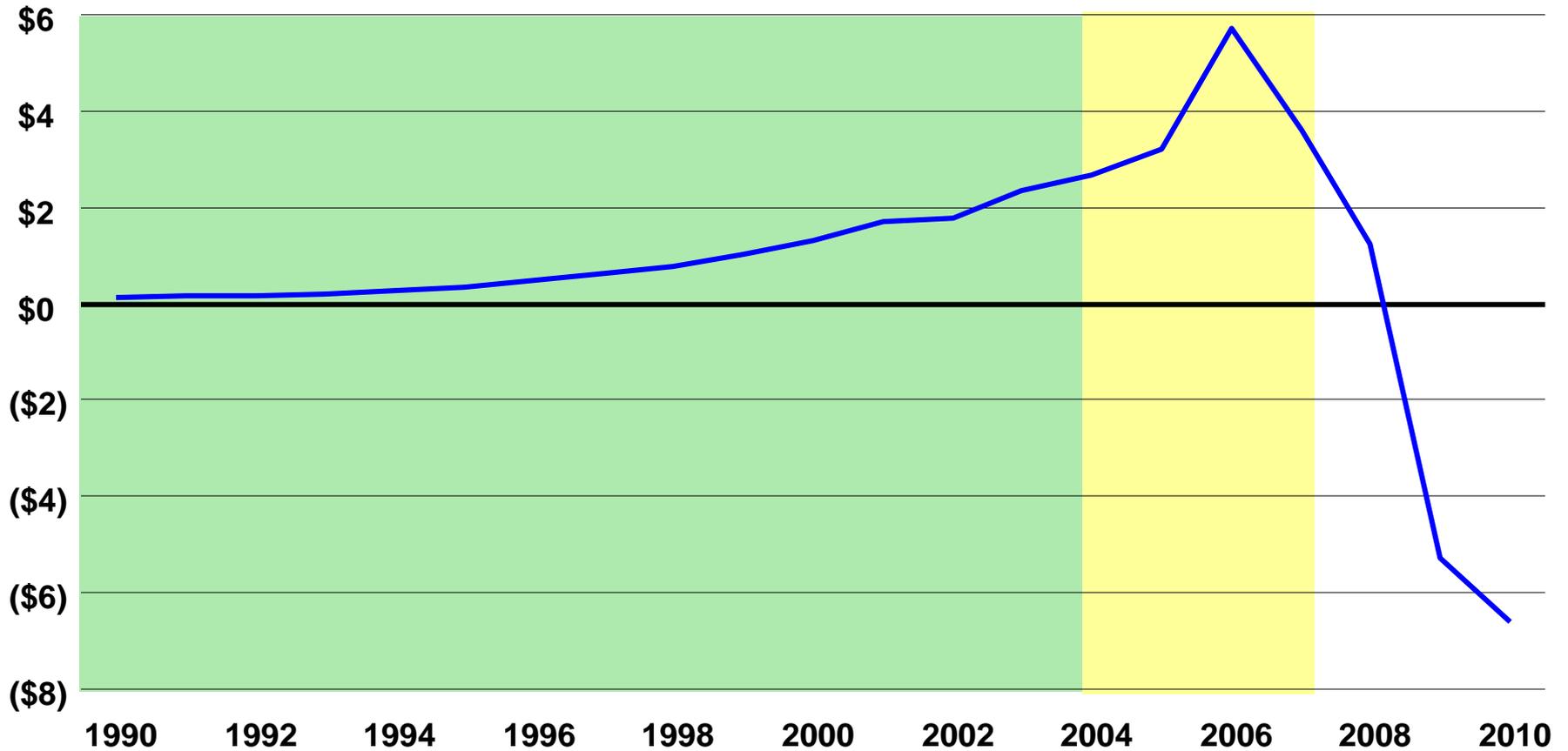
Net Income (millions)



Source SNL.com (1998 to 2003 periods represent First USA segment of Bank One)

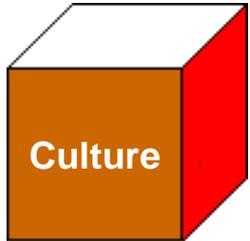
MBNA

Net Income (billions)



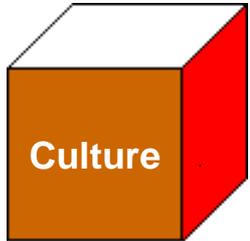
Source SNL.com (Post 2005 represents Bank of America Global Card Services)

Six “C’s”

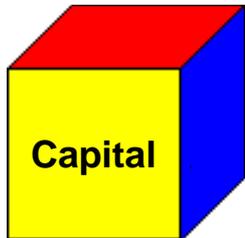


Balanced
organizational
focus

Six “C’s”

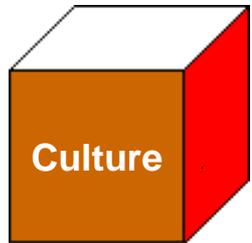


Balanced
organizational
focus

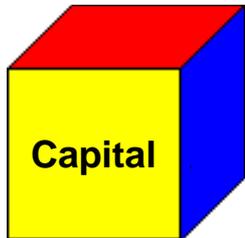


Strong capital,
liquidity and
accounting

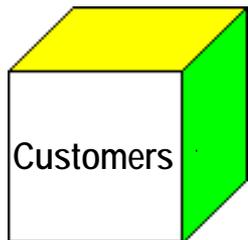
Six “C’s”



Balanced
organizational
focus

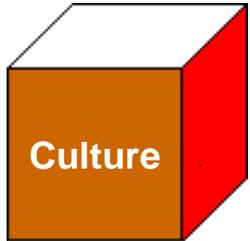


Strong capital,
liquidity and
accounting

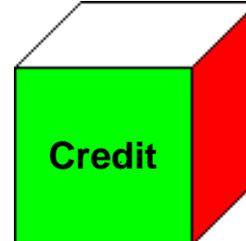


Outstanding
operations,
minimal attrition

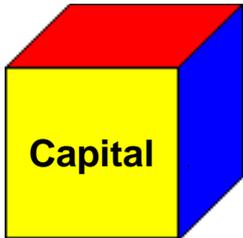
Six “C’s”



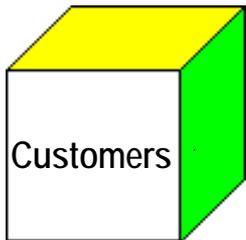
Balanced
organizational
focus



Excellent data
and models,
plus judgment

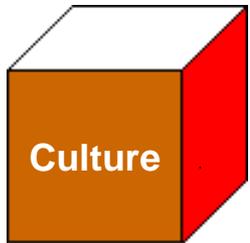


Strong capital,
liquidity and
accounting

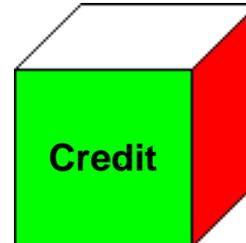


Outstanding
operations,
minimal attrition

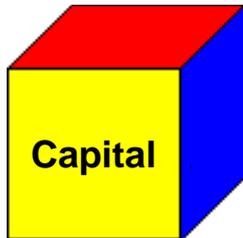
Six “C’s”



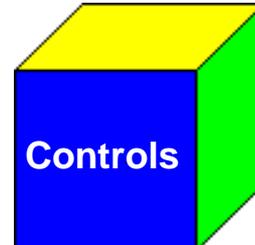
Balanced
organizational
focus



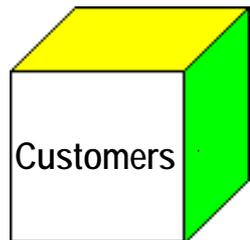
Excellent data
and models,
plus judgment



Strong capital,
liquidity and
accounting

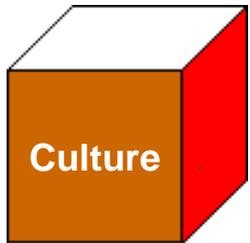


Strong internal controls
and external regulation

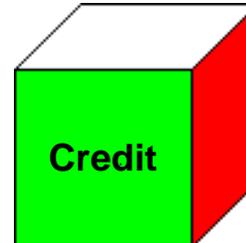


Outstanding
operations,
minimal attrition

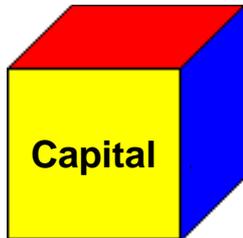
Six “C’s”



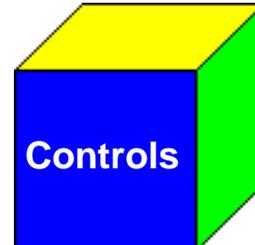
Balanced
organizational
focus



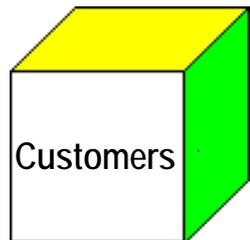
Excellent data
and models,
plus judgment



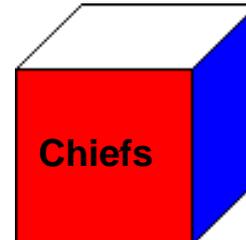
Strong capital,
liquidity and
accounting



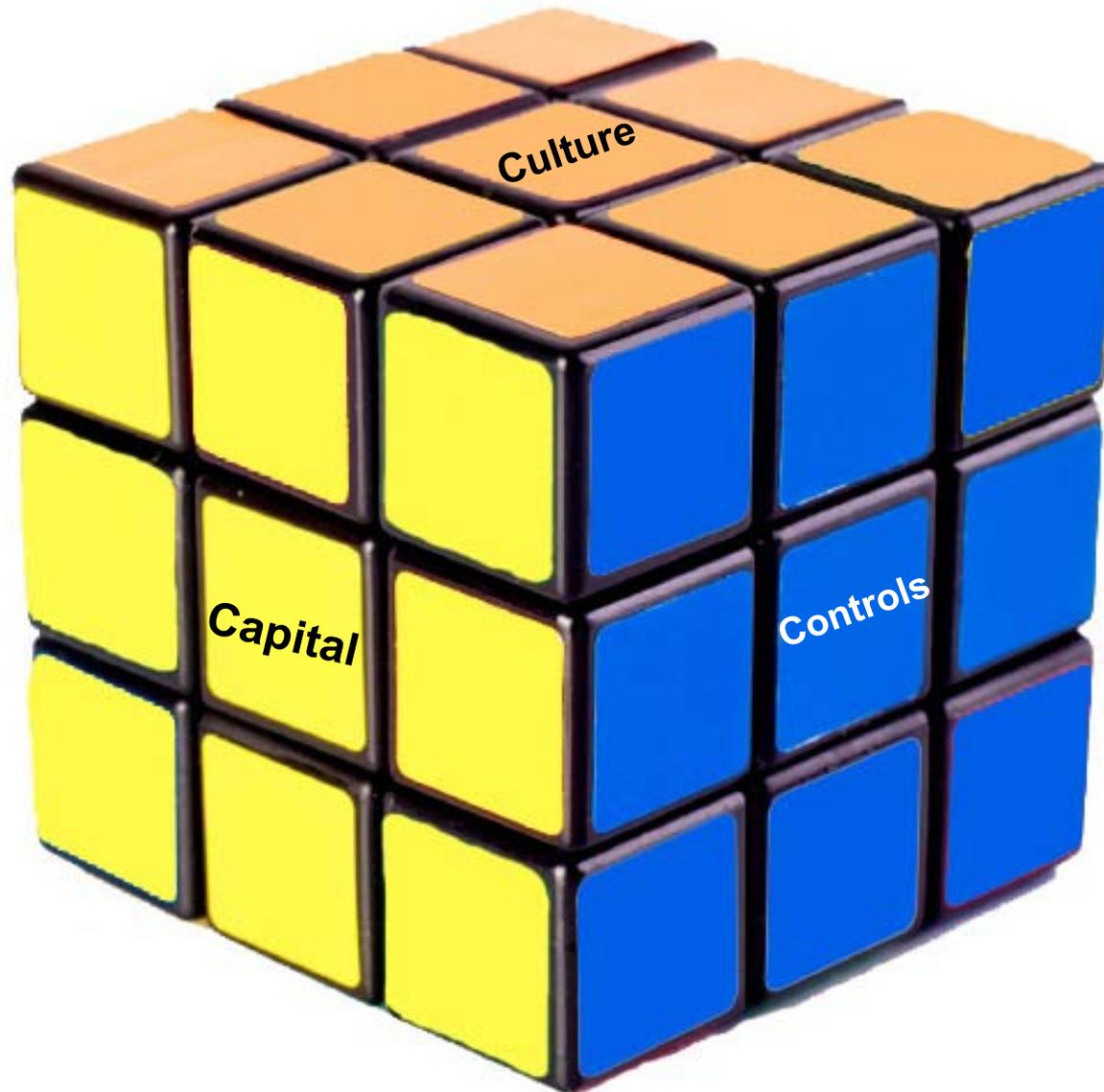
Strong internal controls
and external regulation



Outstanding
operations,
minimal attrition



Experienced and
strong leadership



Federal Reserve Bank of Chicago and DePaul University's Center for Financial
Services 4th Annual Financial Institution Risk Management Conference



Lessons Learned

David Nelms
Chairman & CEO
April 12, 2011