



2013 Financial Community Briefing

March 12, 2013

Notice

The following slides are part of a presentation by Discover Financial Services (the "Company") and are intended to be viewed as part of that presentation. No representation is made that the information in these slides is complete.

Company financial data presented herein is based on a calendar year. As previously reported, the Company changed its fiscal year end from November 30 to December 31 of each year, effective beginning with the 2013 fiscal year. For more information, see the Company's Current Report on Form 8-K dated March 5, 2013, which includes the Company's financial results on a calendar-year basis for each quarter in 2012 and 2011, as well as the twelve months ended December 31, 2012, 2011 and 2010.

The information provided herein includes certain non-GAAP financial measures. The reconciliations of such measures to the comparable GAAP figures are included at the end of this presentation, which is available on the Company's website at www.discoverfinancial.com.

The presentation contains forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's estimates, projections, expectations or beliefs at that time and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of certain risks and uncertainties that may affect the future results of the Company, please see "Special Note Regarding Forward-Looking Statements," "Risk Factors," "Business – Competition," "Business – Supervision and Regulation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended November 30, 2012, which is on file with the SEC.

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Agenda

Discover's strategy

Achievements and strategic priorities

Leveraging risk management capabilities

Driving strong returns and taking share

Expanding direct banking products

Realizing network potential

Financial performance and effective capital deployment

Closing remarks and Q&A

David Nelms

CHAIRMAN & CHIEF EXECUTIVE OFFICER

Roger Hochschild

PRESIDENT & CHIEF OPERATING OFFICER

Jim Panzarino

EVP & CHIEF CREDIT RISK OFFICER

Harit Talwar

EVP, PRESIDENT - U.S. CARDS

Carlos Minetti

EVP, PRESIDENT - CONSUMER BANKING & OPERATIONS

Diane Offereins

EVP, PRESIDENT - PAYMENT SERVICES

Mark Graf

EVP & CHIEF FINANCIAL OFFICER

David Nelms

CHAIRMAN & CHIEF EXECUTIVE OFFICER

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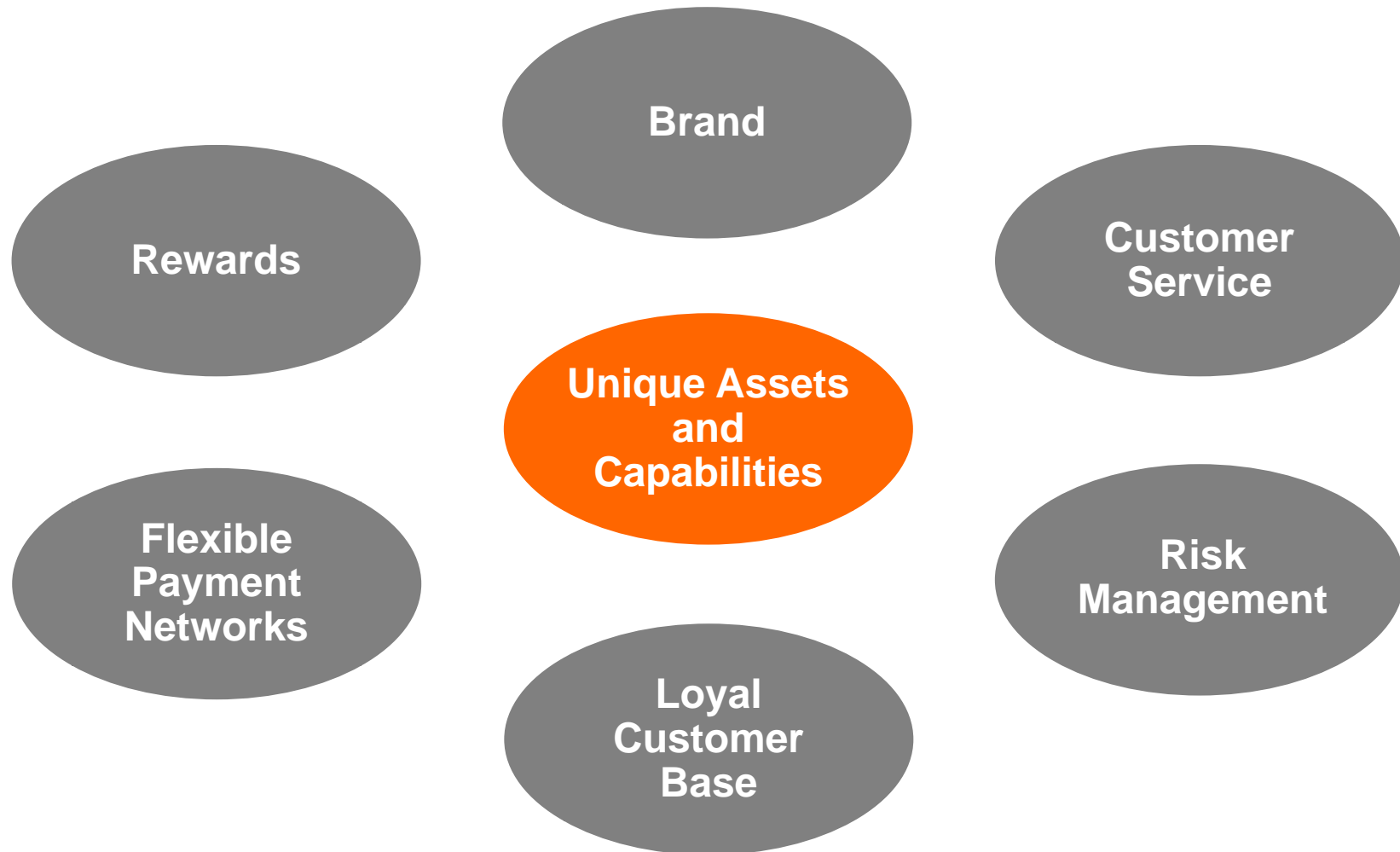


David Nelms
Chairman & Chief Executive Officer

Positioned for success as the leading direct bank and payments partner

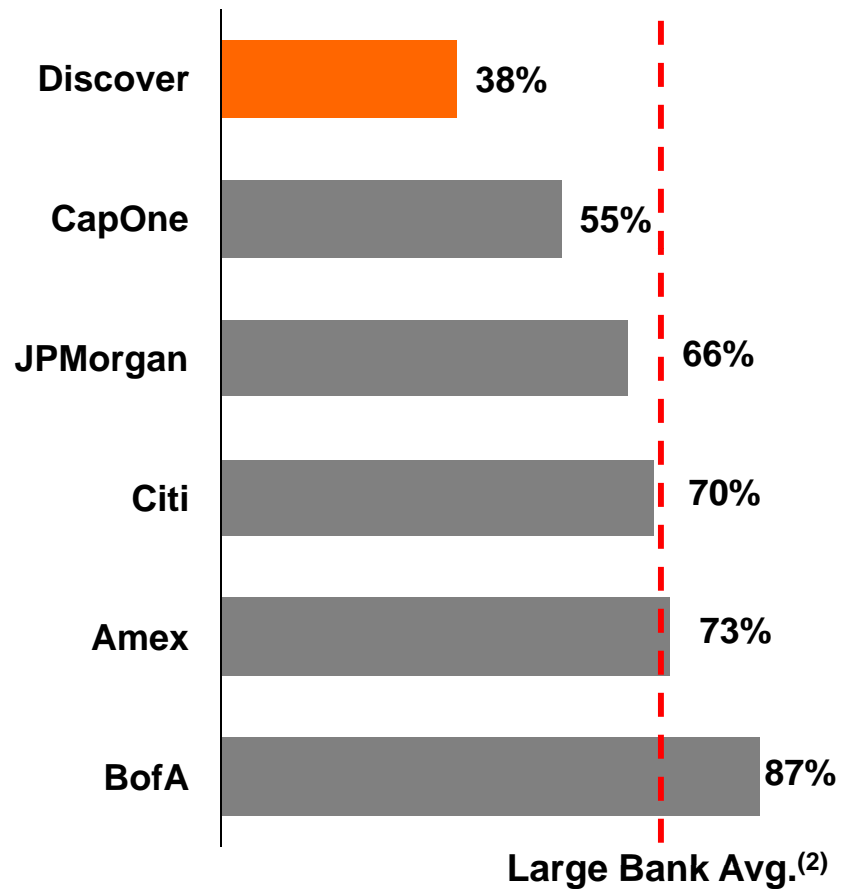
- Driving superior returns
- Gaining card market share through a new flagship product, cash rewards and customer experience
- Leveraging risk management capabilities across asset classes
- Growing student and personal loans while introducing new direct banking products
- Partnering in payments to drive volume and profits
- Creating shareholder value through effective capital management

Discover's Strategic Objective: Be the leading direct bank and payments partner



Efficient and effective strategy

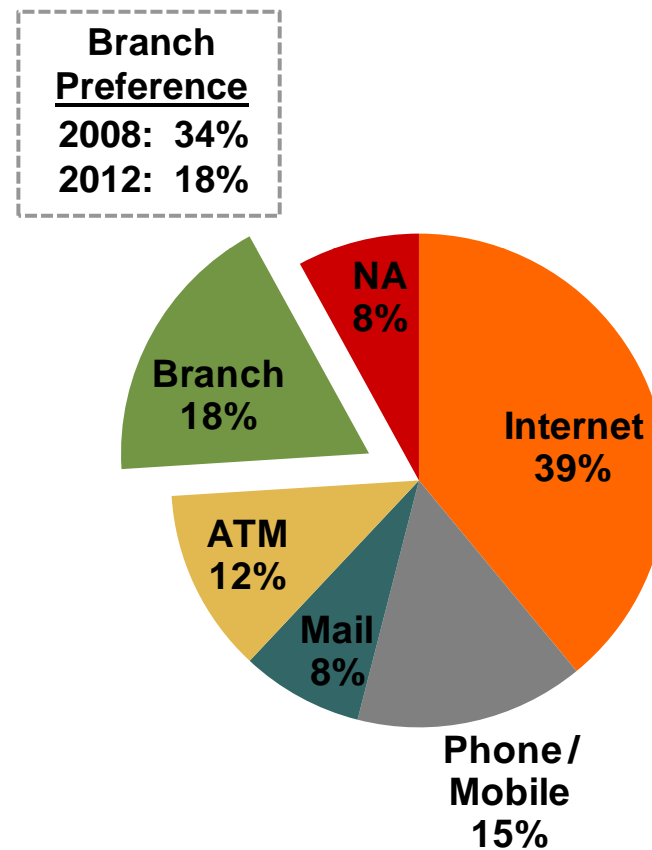
2 Yr Avg. Efficiency Ratio⁽¹⁾



Source SNL, Regulatory Reports 1/1/11 – 12/31/12
Note(s)

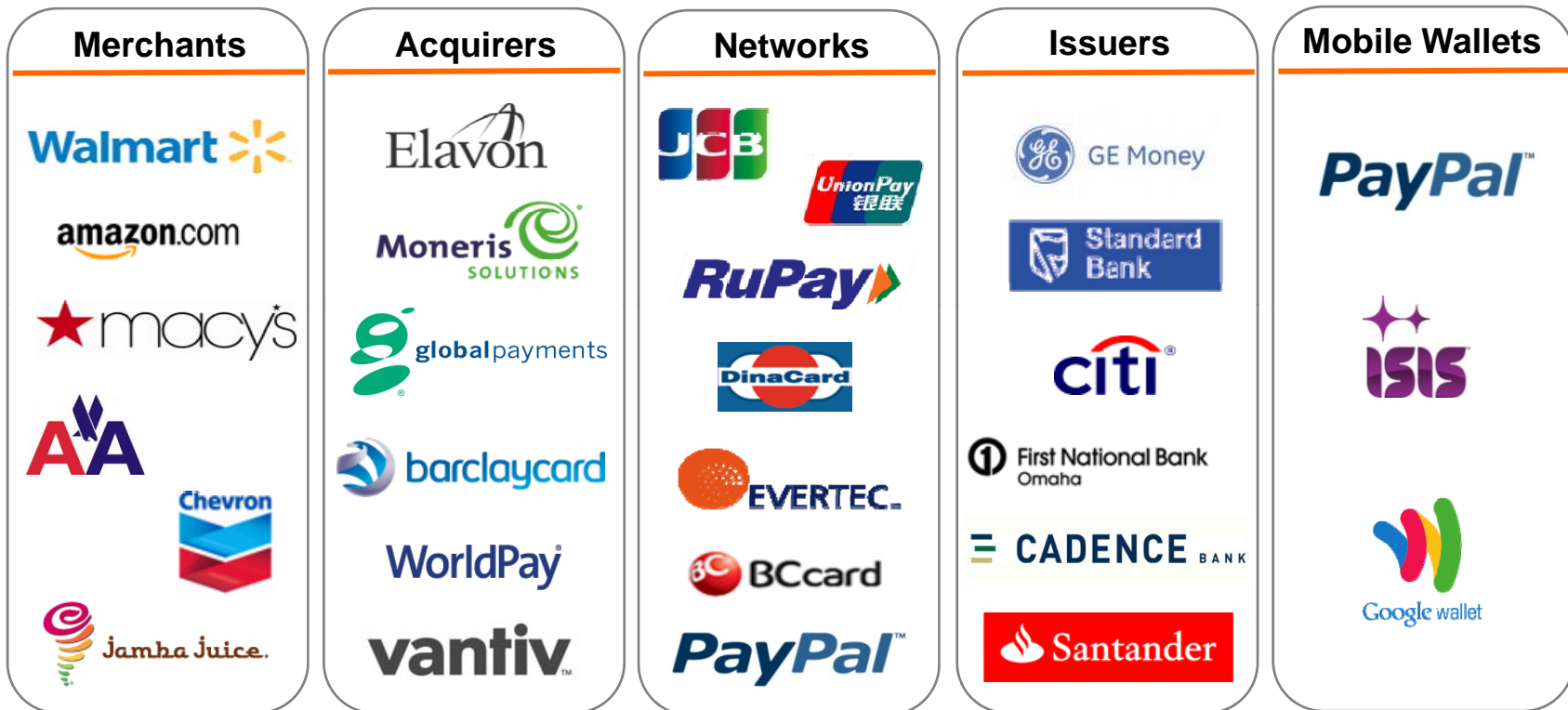
1. Non-interest expense divided by total revenue (net interest income and noninterest income)
2. Bank holding companies participating in the 2013 Comprehensive Capital Analysis and Review (CCAR) and Capital Plan Review (CapPR), excludes Discover

Preferred Banking Channel



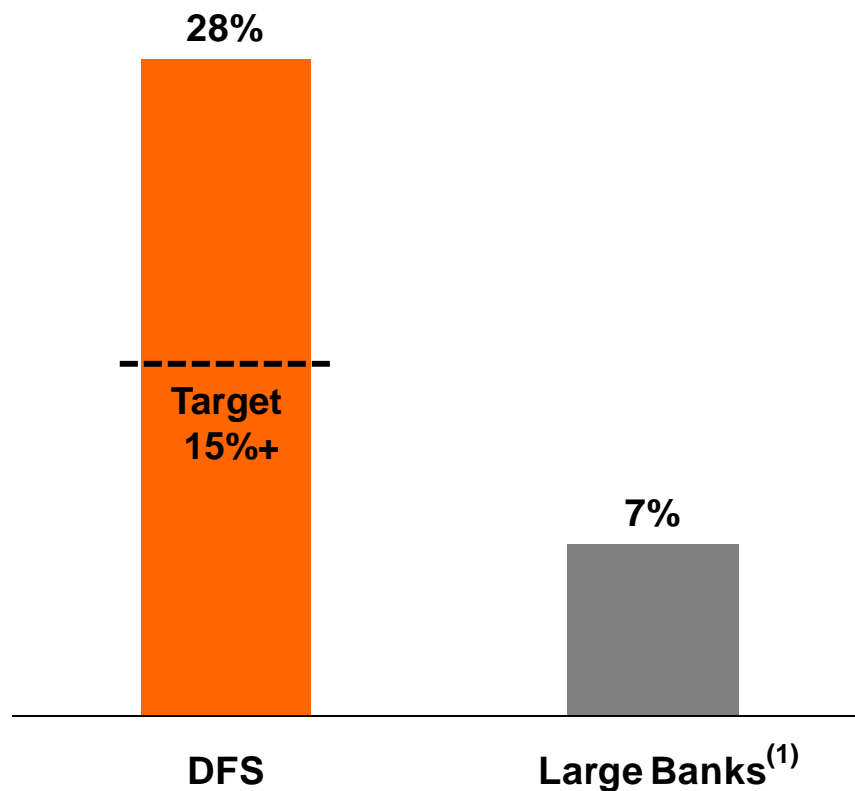
Source American Bankers Association Survey 2012

Flexible payments partner



Model drives superior performance in banking industry

2 Yr. Avg. ROE



Discover Model

- Leverage card-built position and capabilities in direct marketing, risk management and service
- Exploit higher growth and higher return direct business mix
- Alternative payments strategy and flexibility provide opportunities

Source SNL, regulatory reports 1/1/11 - 12/31/12

Note(s)

1. Bank holding companies participating in the 2013 Comprehensive Capital Analysis and Review (CCAR) and Capital Plan Review (CapPR), excludes Discover

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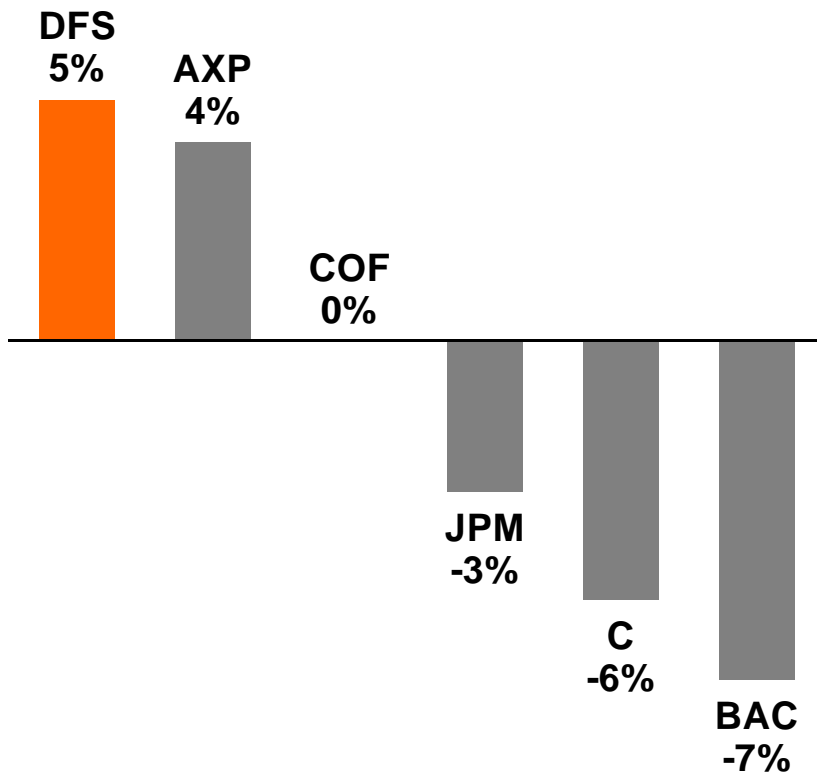
Roger Hochschild
President & Chief Operating Officer

Delivered outstanding performance in calendar year 2012

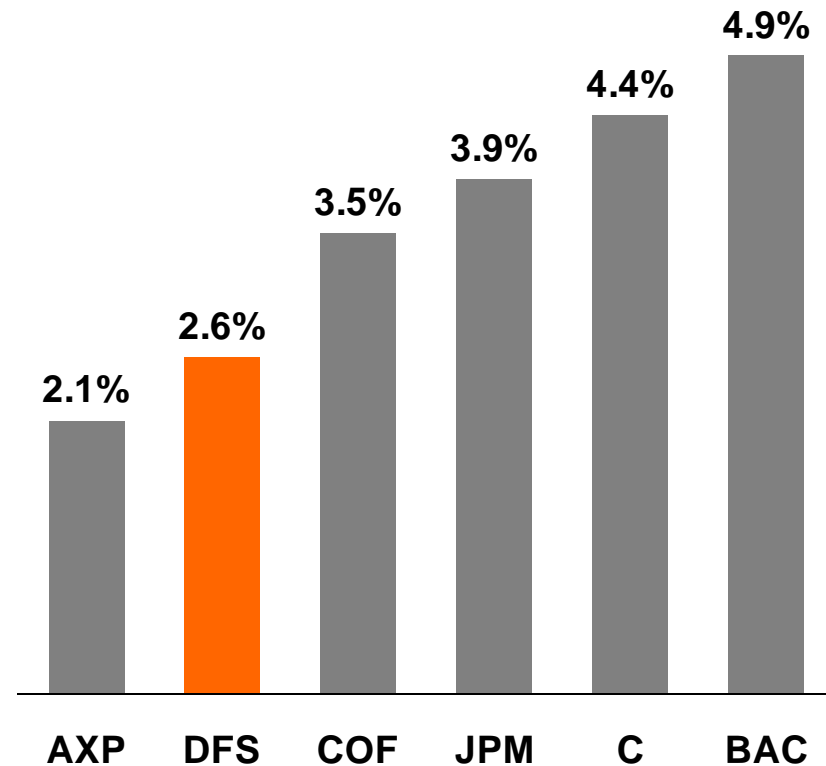
- Delivered record profits
 - \$2.4 billion net income with strong ROE of 26%
- Drove record network sales volume
 - \$307 billion volume with growth of 9% YOY
- Delivered industry leading card loan growth
 - 5% growth YOY in ending receivables
- Achieved all-time low total net charge-off rate of 2.24%
 - 149bps decrease in net charge-off rate YOY
- Continued success in student lending
 - Approximately \$1 billion in originations
- Launched the Discover Home Loans product
 - Originated more than \$2 billion in mortgages in first six months
- Focused on capital, liquidity and funding
 - Returned \$1.4 billion to shareholders

Outperforming peers in card loan growth and credit

2012 Loan Growth (YOY)^(1,2)



2012 Net Charge-Off Rate⁽¹⁾



Source Public company data, calendar year

Note(s)

1. Reflects card receivables growth and net charge-off rate for American Express (U.S. Card), Bank of America (U.S. Card), Capital One (U.S. Card), Citi (Citi-branded Cards N.A.) and JPMorgan Chase (Card Services excluding Commercial Card)
2. Capital One 2012 loan growth excludes HSBC acquisition and is based on management commentary

2013 Priorities

- Grow Discover card loans share while maintaining leading credit performance
- Expand direct consumer banking
- Grow global network volume and acceptance
- Optimize funding, cost structure and capital position
- Enhance operating model

2013 Strategic Initiatives

- Launch new flagship product in card - Discover it
- Expand mortgage platform with home equity
- Enhance operations and implement new core banking platform
- Implement PayPal, and other non-traditional partners
- Expand PULSE network to all debit transactions
- Diversify funding sources through direct checking

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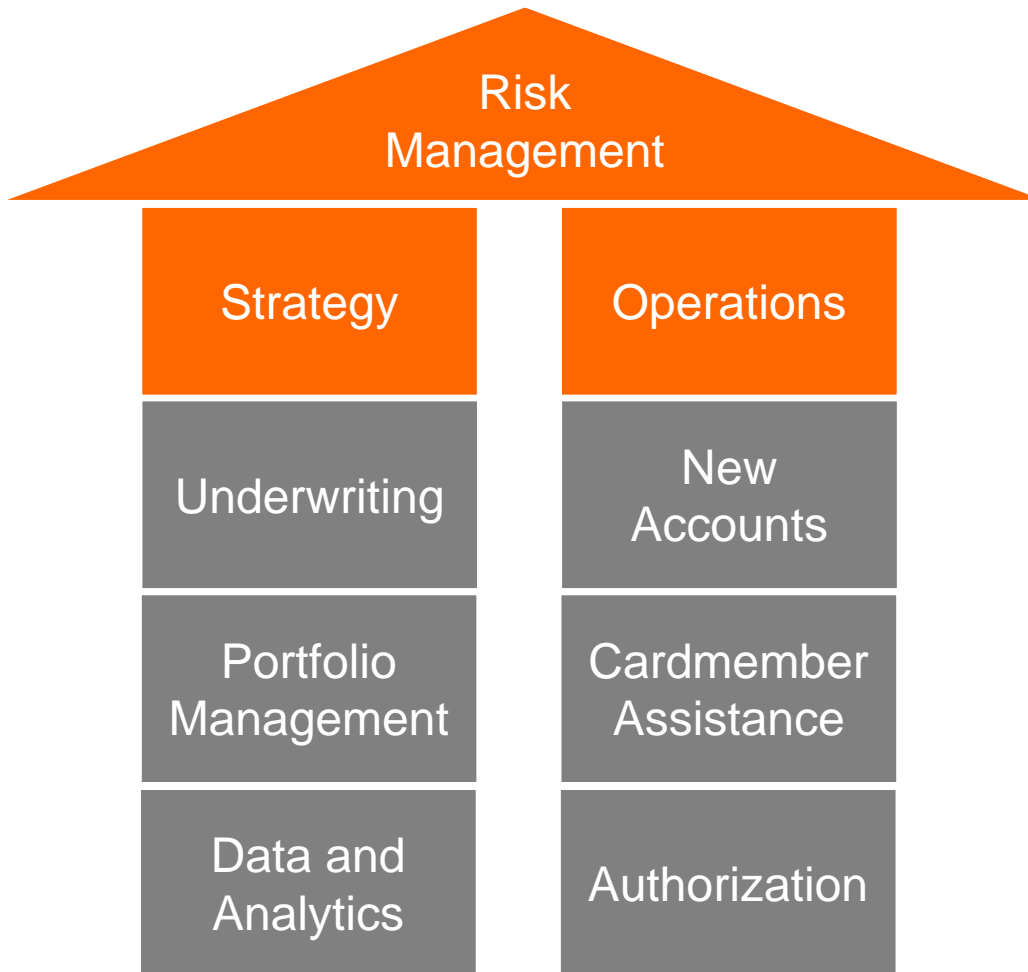


Jim Panzarino
EVP, Chief Credit Risk Officer

Delivering strong credit performance across products

- Continued investments in data, analytics and operations
- Disciplined growth through innovative credit assessment and management
- Leveraging card risk management capabilities to support growth in other lending products

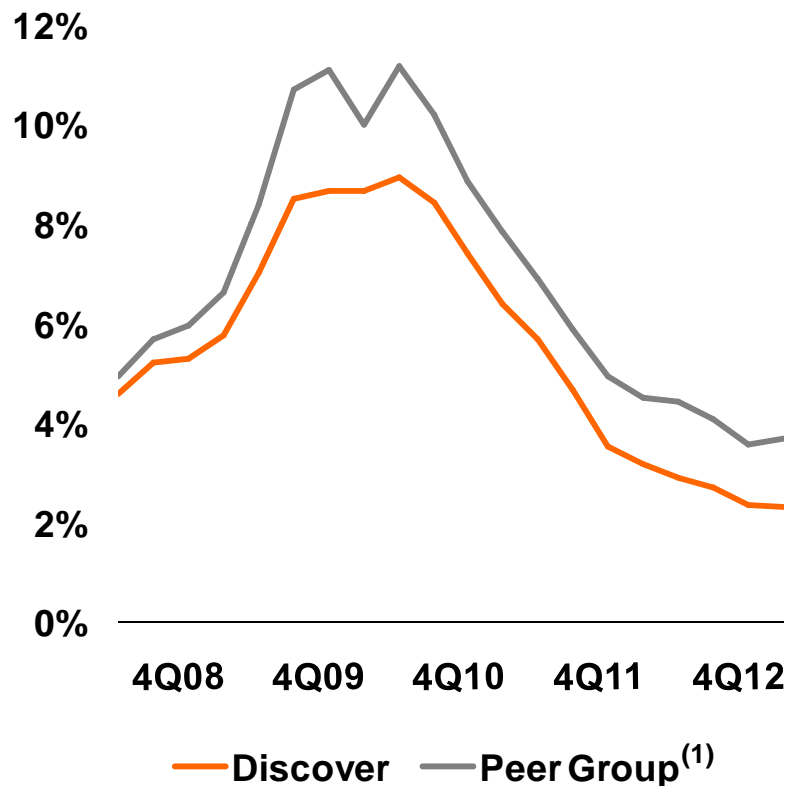
Organizational structure enables consistent performance



- Data and analytics deepen customer insights
- Operational integration embeds risk intelligence in customer engagements
- Structure allows for faster execution ensuring industry leading performance

Sustained superior credit performance

Card Net Charge-off Rate



- Disciplined new bookings
- Profitability based line assignments
- Proactive and targeted portfolio management
- Innovative use of credit and behavioral data in decision making
- Stronger customer influence through in-house collection activities

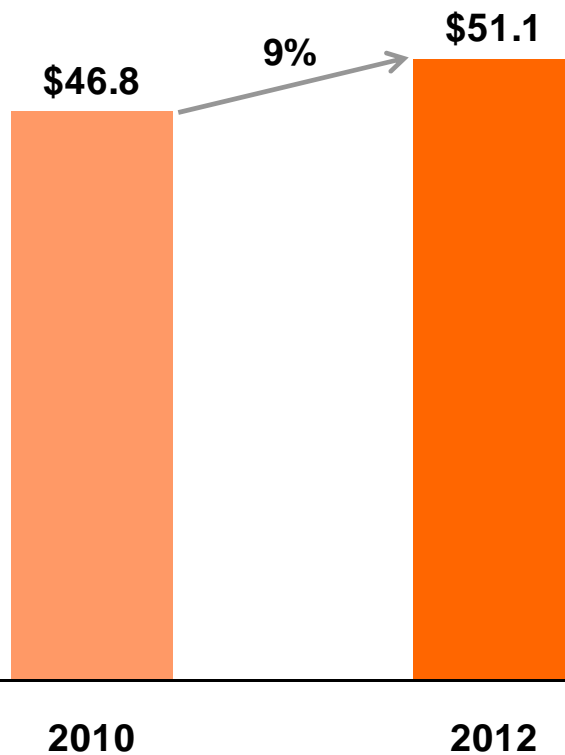
Source Public company data, calendar year

Note(s)

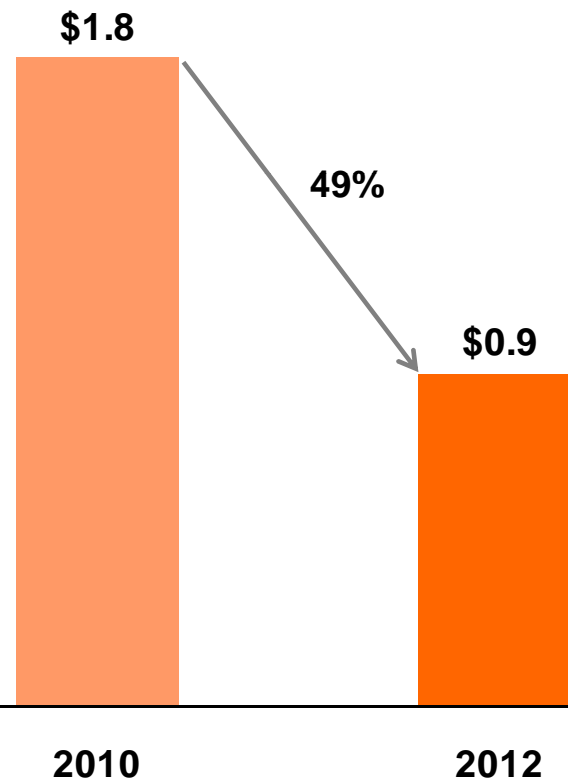
1. Includes American Express (U.S. Card), Bank of America (U.S. Card), Capital One (U.S. Card), Citi (Citi-branded Cards N.A.) and JPMorgan Chase (Card Services excluding Commercial Card)

Growing card receivables while managing risk

Receivables (\$Bn)



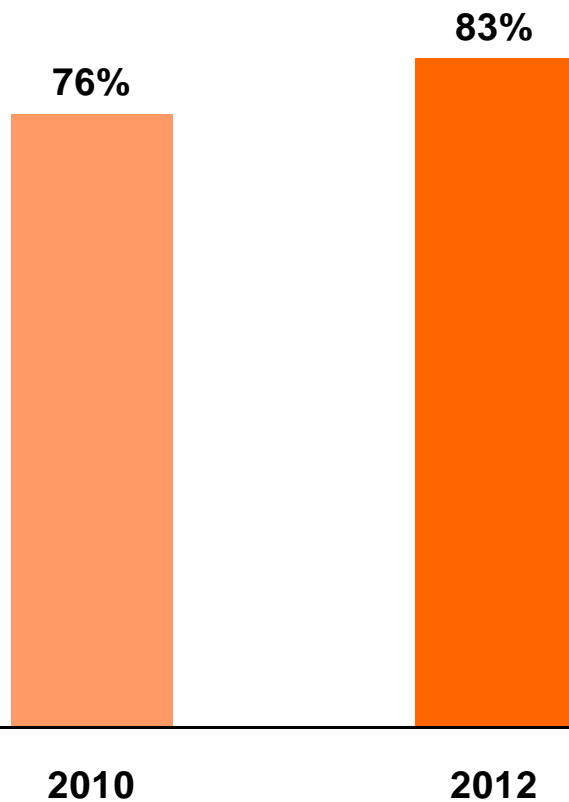
30+ Delinquencies (\$Bn)



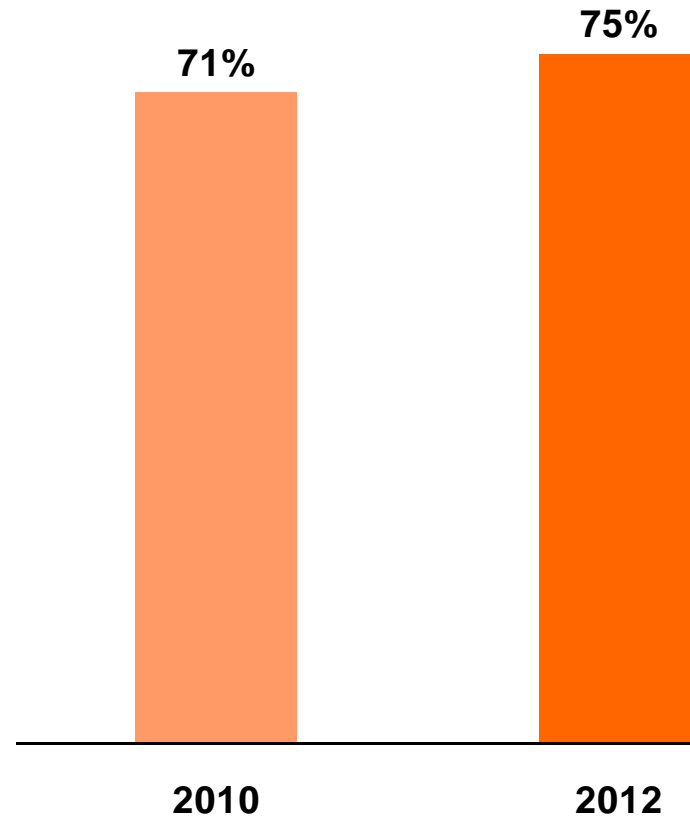
Source Discover, calendar year end data

Continued improvement in cards risk profile

Receivables (FICO > 660)



Loans with Tenure > 5 Yrs⁽¹⁾



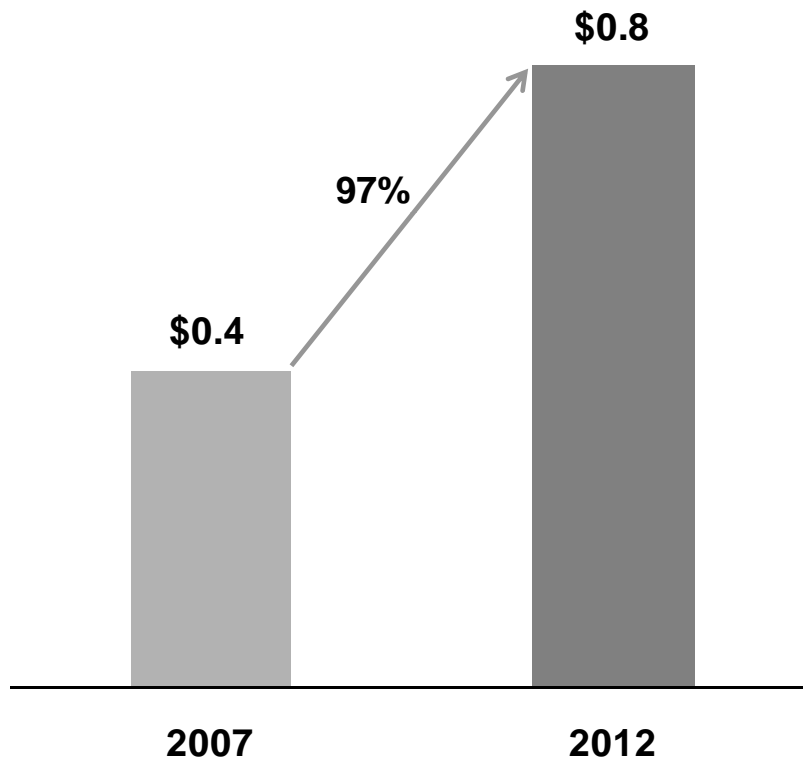
Source Discover, calendar year end data weighted by balance

Note(s)

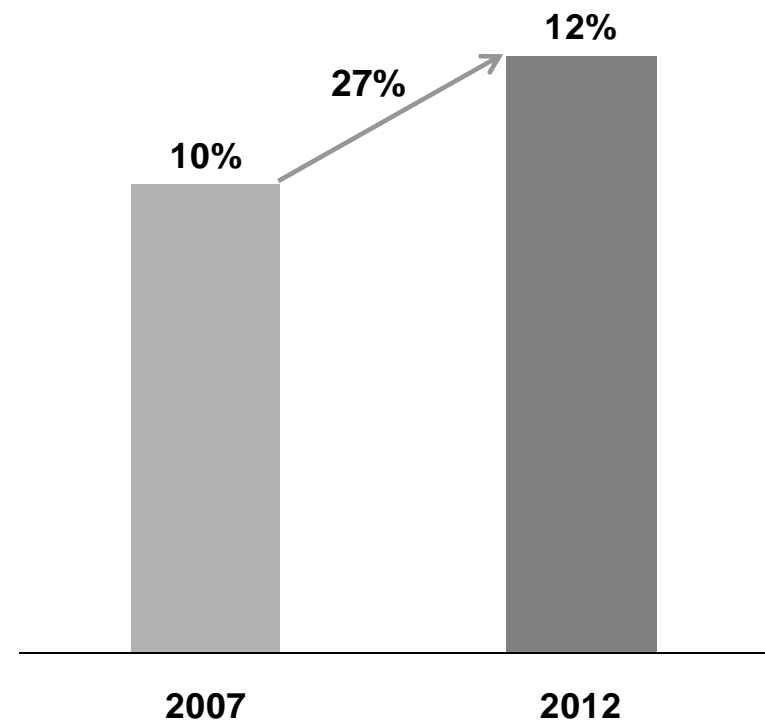
1. Based on loan balances from accounts opened more than five years ago

Student loan industry

Federal Loans
Total Balances (\$Tn)



Federal Loans
90+ Delinquency Rate

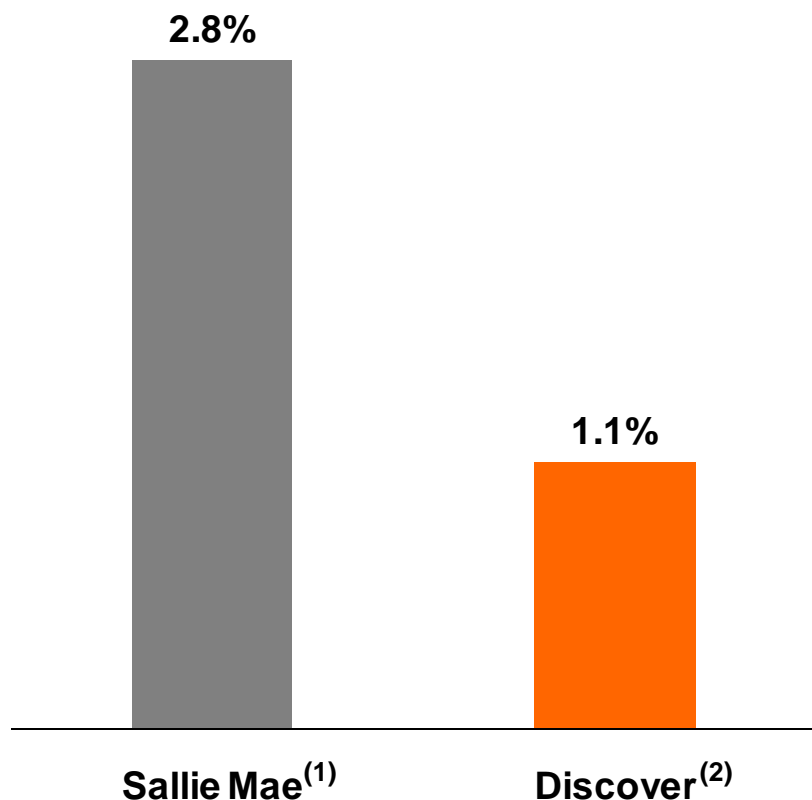


Student loan growth driven by Federal loans, which show a 27% increase in delinquencies

Source "An Evaluation of Dynamics in The Student Loan Market", 2013 TransUnion report

Discover Student Loans: Industry leading underwriting approach

2012 Net Charge-off Rates



Source Public company data, calendar year

Note(s)

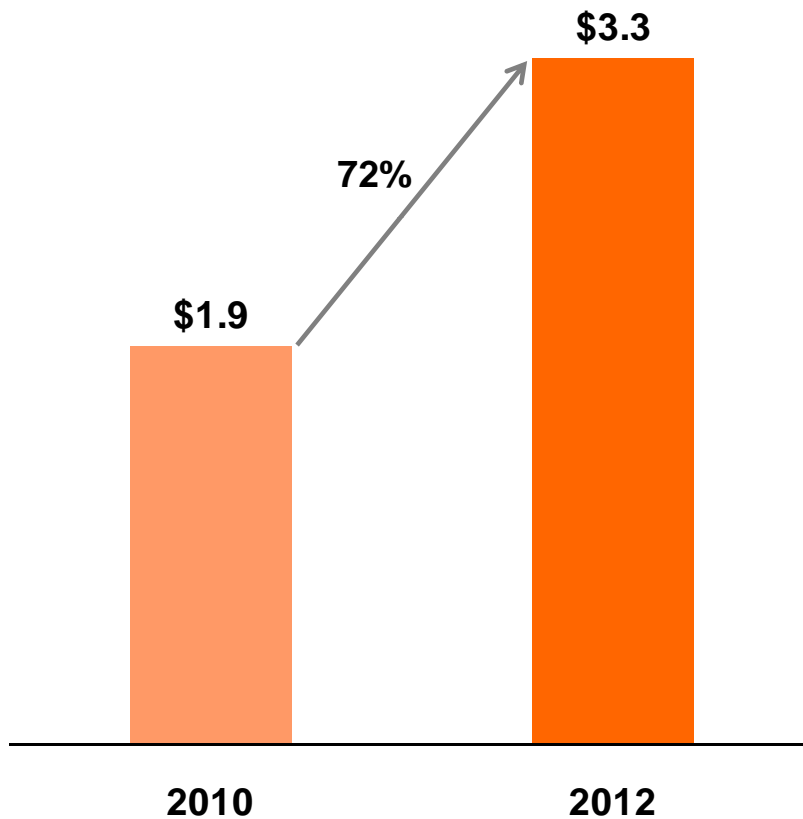
1. Defined as net losses to average receivables for the private education loan portfolio
2. Defined as net losses to average managed contractual receivables which is a non-GAAP measure for DFS; see appendix for reconciliation

Underwriting approach

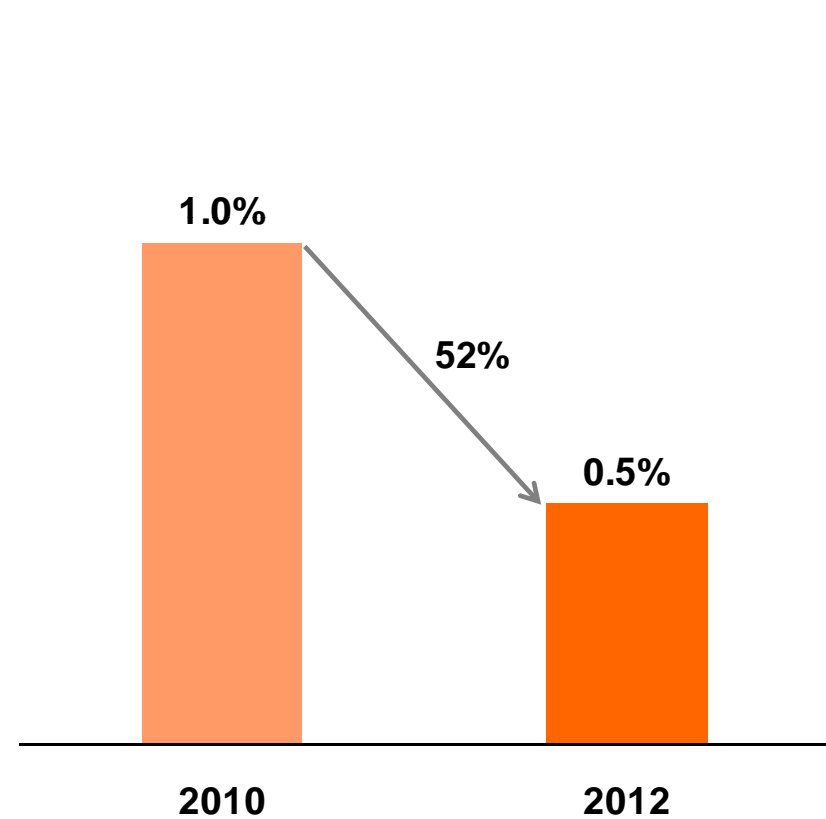
- High cosigner rate
- High origination FICO
- Focus on 4 year and graduate not-for-profit schools
- School certification for all borrowers and direct disbursement of funds to schools

Discover Personal Loans: Growing receivables while managing risk

Receivables (\$Bn)



60+ Delinquency Rate



Source Discover, calendar year end data

Today we shared...

Sustained Performance

Our credit performance across all products continues to be better than the peer group

Investment in Capabilities

Our organizational structure and investments in data and analytics should continue to produce industry leading performance

Portfolio Growth

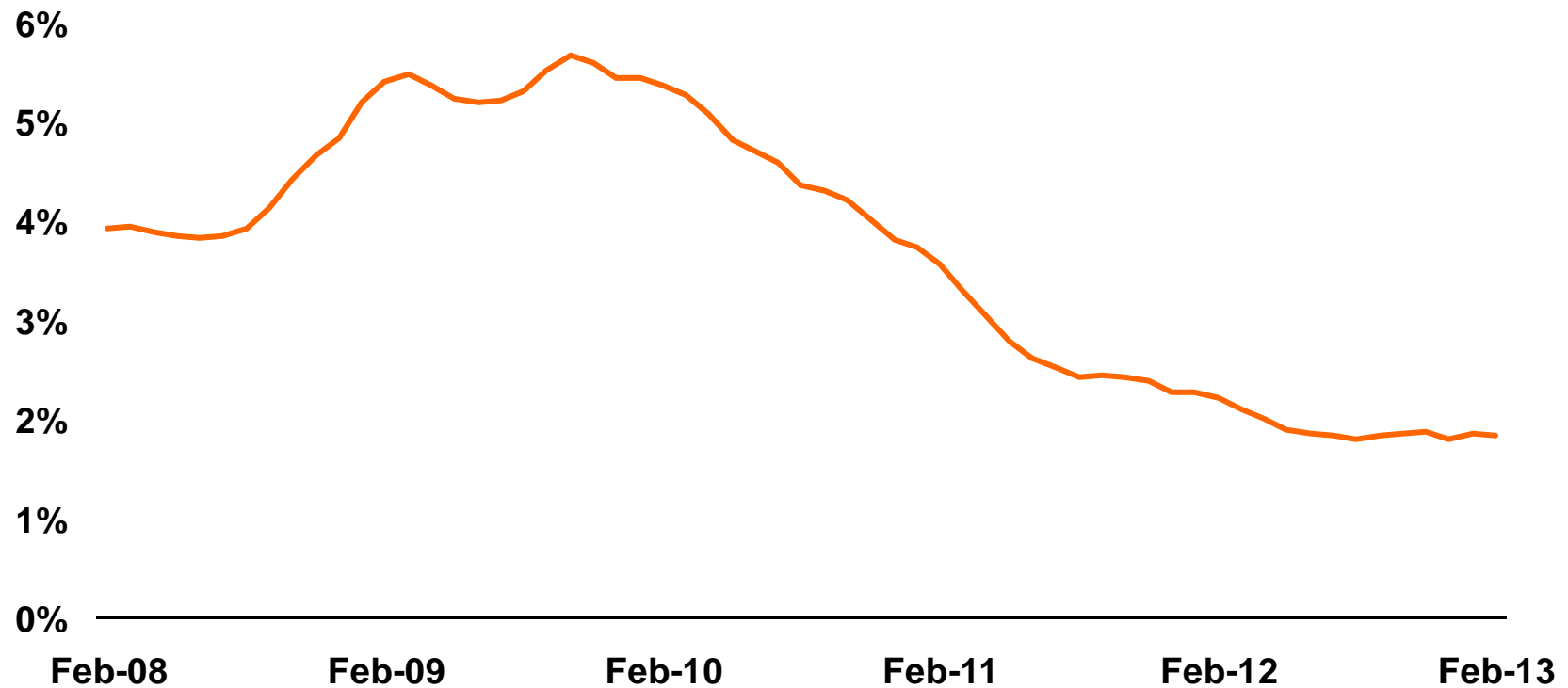
We increased our receivables by \$9 billion across products in two years

Portfolio Quality

We maintain a high credit quality portfolio across all product types

Where is credit headed?

Card 30+ Delinquency Rate



Source Discover, monthly data

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Harit Talwar
EVP, President - U. S. Card

Robust growth, attractive returns and strengthening competitive advantage

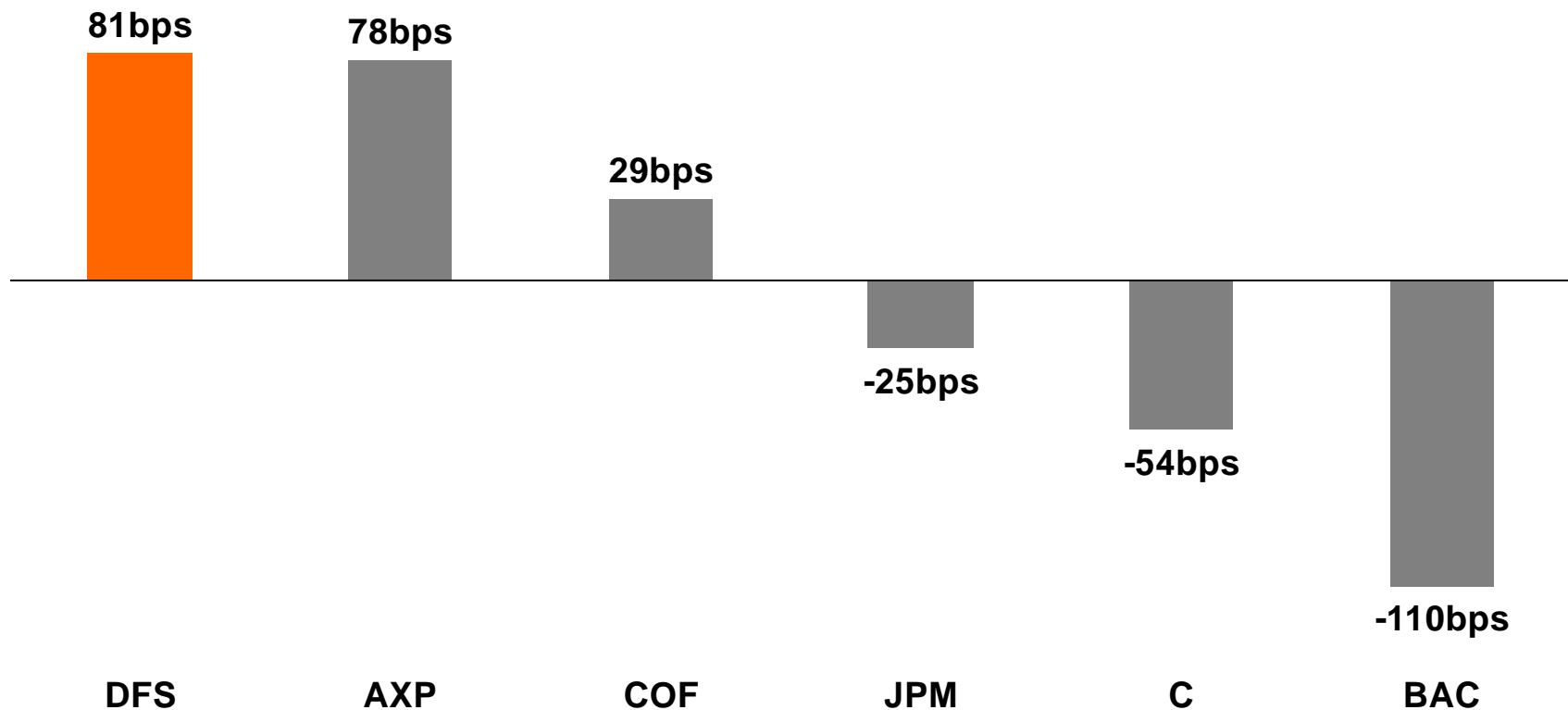
- Strong momentum in card business in 2012:
 - 5.2% YOY growth in loans and 81bps increase in market share⁽¹⁾
 - 10% YOY increase in new accounts
 - 150bps YOY increase in wallet share with existing customers⁽²⁾
- Strategic focus on leveraging our competitive advantages through:
 - Launch of new flagship product - Discover it
 - Enhancing rewards leadership including leveraging proprietary network
 - Superior customer experience across online, mobile, and phone interactions

Note(s)

1. Includes weighted average card loans growth for American Express (U.S. Card), Bank of America (U.S. Card), Capital One (U.S. Card excluding installment loans & HSBC), Citi (Citi-branded Cards N.A.), and JPMorgan Chase (Card Services)
2. Internal and bureau data as of December 2012

Gaining market share in card loans

2012 Card Loan Market Share Growth (YOY)⁽¹⁾



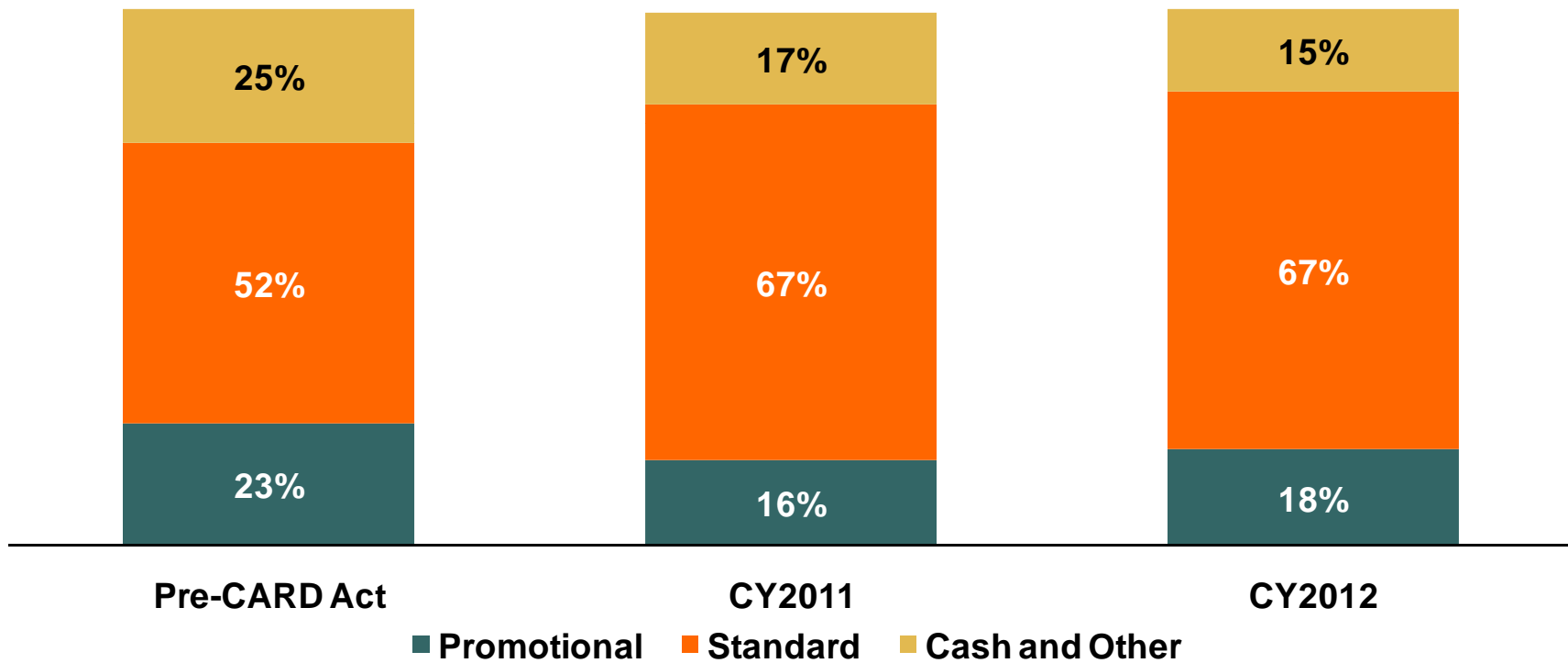
Source Public company data, calendar year

Note(s)

1. Market share change based upon total loans for American Express (U.S. Card), Bank of America (U.S. Card), Capital One (U.S. Card excluding installment loans & HSBC), Citi (Citi-branded Cards N.A.), and JPMorgan Chase (Card Services)

Prudent management of loan mix

Card Loan Mix (%)⁽¹⁾

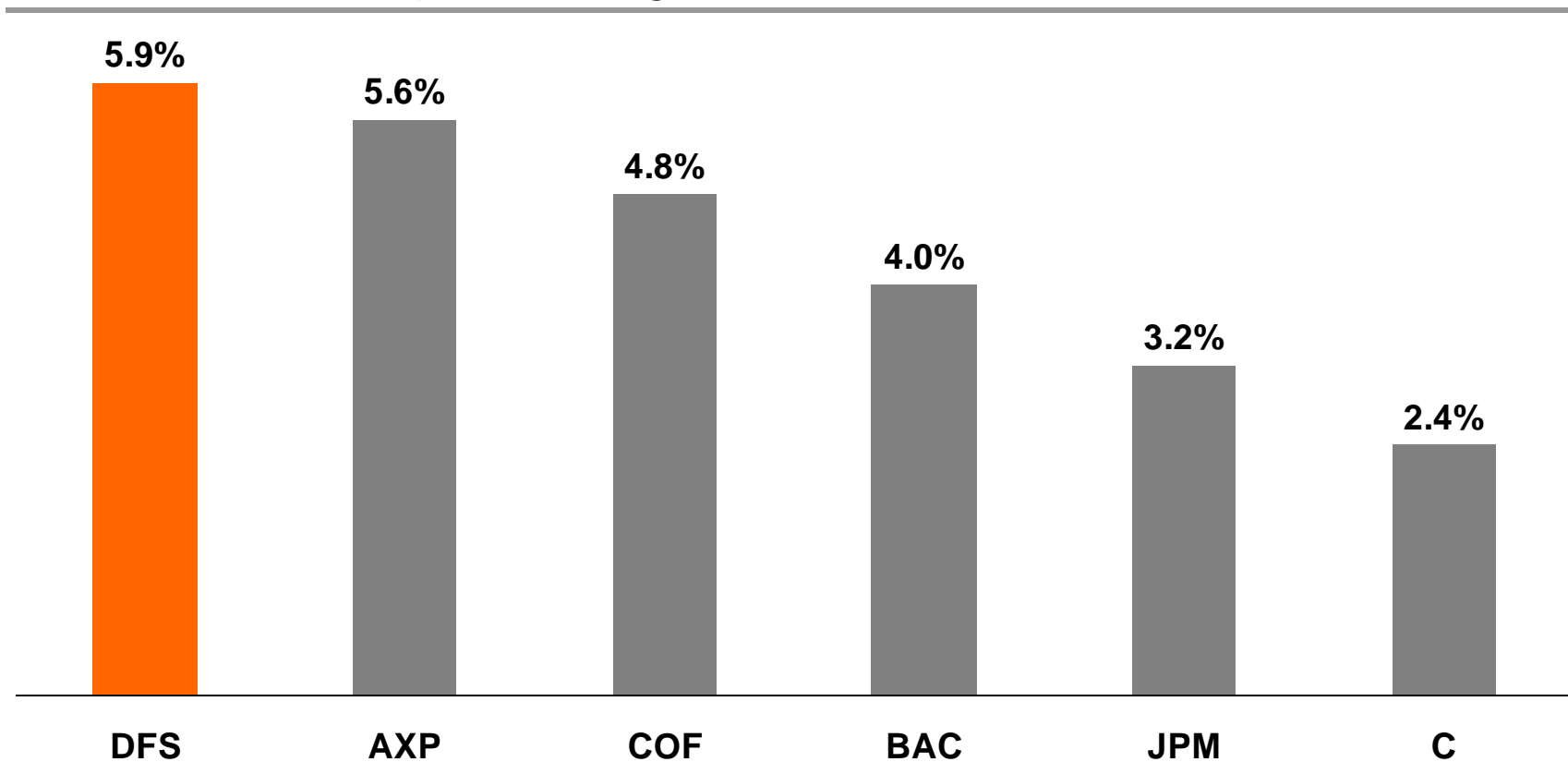


Note(s)

1. Credit card ending loans mix by APR (%); pre-CARD Act is an average of 2006-2008 inclusive

More profitable than peer group

2012 Pre-Tax Card ROA^(1,2)
(excl. change in loan loss reserves)



Source Public company data, calendar year

Note(s)



1. Pre-tax income adjusted for loan loss reserve changes divided by average card receivables, which is a non-GAAP measure; see appendix for Discover GAAP reconciliation
2. Includes American Express (U.S. Card), Bank of America (U.S. Card), Capital One (U.S. Card excluding estimated HSBC one-time adjustments), Citi (Citi-branded Cards N.A. based on segment tax rate), and JPMorgan Chase (Card Services)

Discover it – accelerating customer acquisition

- New flagship product
- National rollout in response to strong pilot performance
- Transforms traditional card industry model



Distinctive combination of product features

<div>  <div> Game Changer. Fair. Generous. Flexible. Human. </div> <div>Apply Now</div> </div>					
Compare Leading Cards		Chase Freedom™	Bank Americard Cash Rewards™	Capital One® Cash Rewards	Citi Simplicity® Card
No annual fee	✓	✓	✓	✓	✓
No late fee on your first late payment	✓	✗	✗	✗	✓
Paying late won't raise your APR	✓	✗	✗	✗	✓
Sign up for 5% cash back in rotating categories throughout the year	✓	✓	✗	✗	✗
Unlimited 1% cash back, not points, on all other purchases	✓	✗	✓	✓	✗
Pay up to midnight (ET) by phone or online on the due date you choose	✓	✗	✗	✗	✗
If you lose your job, get a lower rate, lower payment or other help	✓	✗	✓	✗	✗
Automatic expedited delivery of your new card	✓	✗	✗	✗	✗

Note(s)

- Comparison based on information obtained on issuers' websites or from customer service representatives as of November 2012. For full version of comparison chart, visit www.discover.com
- 5% cash back caps at \$1,500

Unique design and customer experience

- New online application process
- Distinctive card design and communications
- Expedited delivery
- Access to live account manager
- Superior service experience



Card design

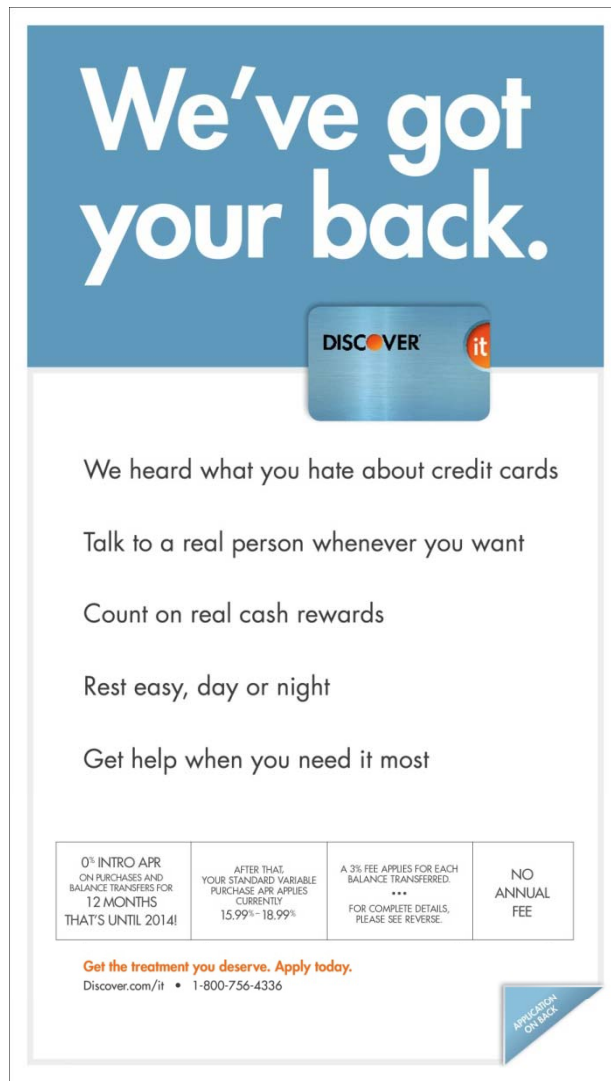


Card delivery



Surprise and delight

Emphasizing value proposition beyond price



We've got your back.

DISCOVER it

We heard what you hate about credit cards

Talk to a real person whenever you want

Count on real cash rewards

Rest easy, day or night

Get help when you need it most

0% INTRO APR ON PURCHASES AND BALANCE TRANSFERS FOR 12 MONTHS THAT'S UNTIL 2014!	AFTER THAT, YOUR STANDARD VARIABLE PURCHASE APR APPLIES CURRENTLY 15.99% - 18.99%	A 3% FEE APPLIES FOR EACH BALANCE TRANSFERRED. ... FOR COMPLETE DETAILS, PLEASE SEE REVERSE.	NO ANNUAL FEE
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Get the treatment you deserve. Apply today.
Discover.com/it • 1-800-756-4336

APPLICATION
ON BACK



DISCOVER it

breaks the mold

Discover it® is here to change how you think about credit cards.

Fair—get fee relief at last.

Human—we're always on call to help.

Generous—turn purchases into cash.

Safe—less for you to worry about.

0% INTRO APR ON PURCHASES AND BALANCE TRANSFERS FOR 12 MONTHS THAT'S UNTIL 2014!	AFTER THAT, YOUR STANDARD VARIABLE PURCHASE APR APPLIES CURRENTLY 15.99% - 18.99%	A 3% FEE APPLIES FOR EACH BALANCE TRANSFERRED. ... FOR COMPLETE DETAILS, PLEASE SEE REVERSE.	NO ANNUAL FEE
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Break away. Apply today.
Discover.com/it • 1-800-756-4336

APPLICATION
ON BACK

Note(s)

- Creatives highlight key features only for illustrative purposes

Integrated go-to-market strategy

DISCOVER[®]

Increasing wallet share with existing customers

- Increase in wallet share with existing customers significant driver of loan growth
- Competitive advantage in rewards and customer experience driving this growth



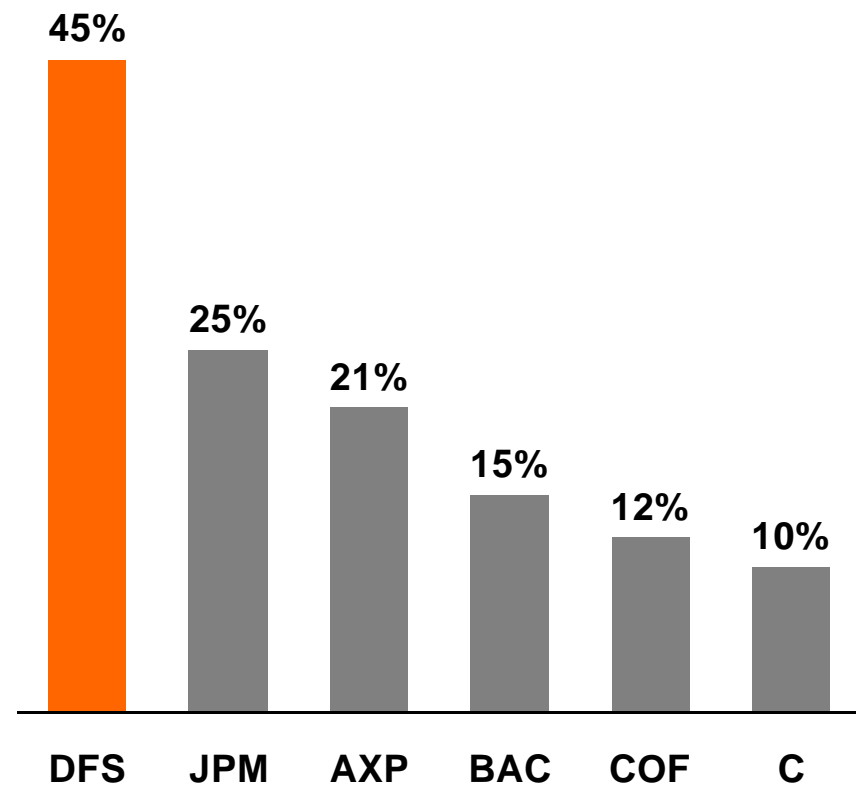
Note(s)

1. Wallet Share is the amount of customer loans with Discover vs. other cards in wallet as of December of each year; share based upon credit bureau data and internal modeling

The largest cash rewards program

- Cash rewards on all purchases with no caps, plus special earn and redeem choices
- Robust platform for partner programs
- Superior customer experience
- Continuous innovation

Cash Rewards Household Penetration



Source TNS 2012 Consumer Card Strategies Research Program

New program with Amazon resonating strongly with customers

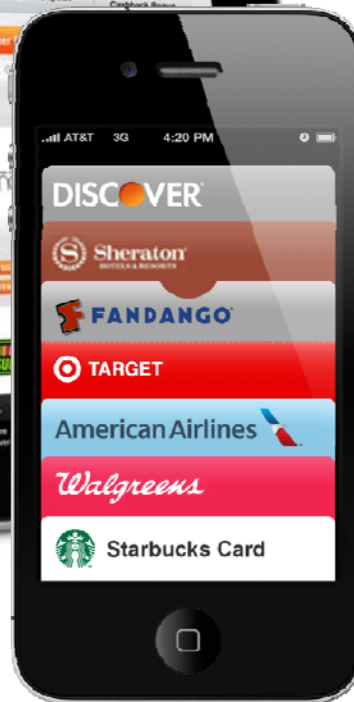
- Successfully evolved Cashback Bonus as a currency at point-of-purchase
- Double digit increase in Discover Card registrations and sales at Amazon
- Multiple programs including exclusive card partner for Kindle Fire launch



Leveraging emerging technologies and partnerships



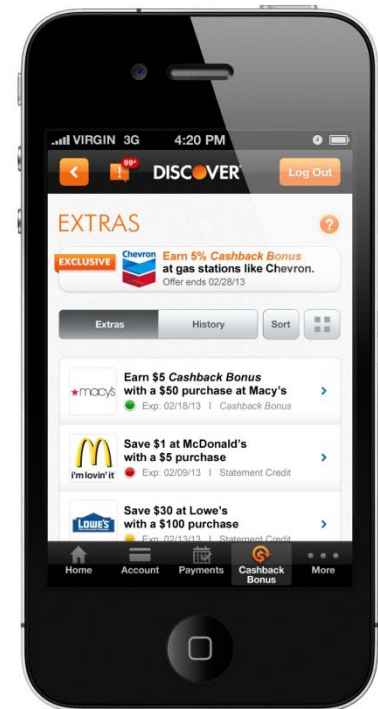
Discover shopping mall on mobile
200+ partners



Discover rewards in
popular wallets
(e.g., Apple Passbook)



Redeeming rewards at POS
50+ partners



Multiple offers in
Discover Extras

Note(s)
Registered trademarks are the property of respective owners

DISCOVER

Online / mobile critical to growth

- Leverage 300%+ increase in mobile adoption⁽¹⁾
- Continuous transformation of customer experience
- Enhanced eCommerce platforms to increase customer acquisition and card usage



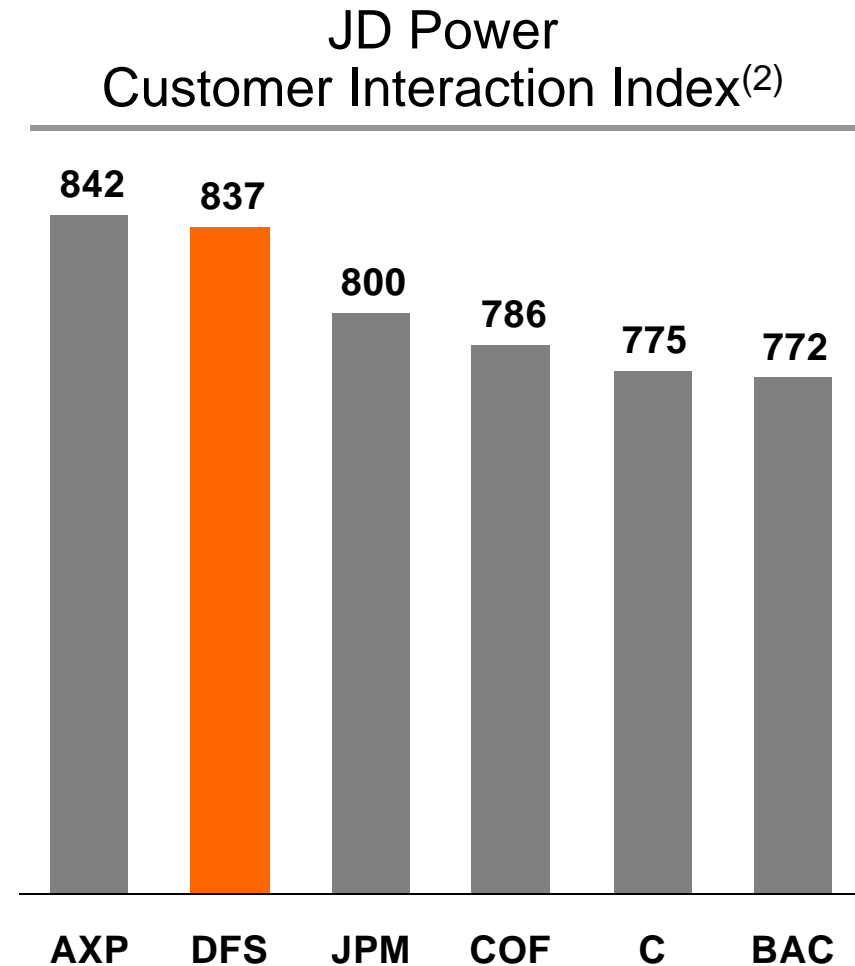
Empowering Customers

Note(s)

1. December 2010 to December 2012 internal data, unique cardmembers logging in to mobile site

Empowering customers and reducing costs

- Approximately 20% increase in customer interactions
- Approximately 50% reduction in cost per customer interaction⁽¹⁾
- 80% of customer contacts are online



Source J.D. Power and Associates 2013 Credit Card Satisfaction StudySM

Note(s)

1. Interactions / contacts with Discover cardmembers as measured year-over-year; cost per customer interaction as measured from 2007 to 2012
2. The Customer Interaction Index is a composite of five weighted factors, including: Website Interaction, Customer Service Representative Interaction, Assisted Online Interaction, Automated Phone System Interaction, and Mobile Phone Interaction

eCommerce platforms driving card acquisition and usage

- 67% of new accounts online
- Accounts active online contribute 80%+ of sales / loans

Everyone wins when you
Refer a Friend to Discover



1

Choose Your Offer

2

Submit Your Transfer

3

Enjoy Your Savings

See your new estimated monthly payment

It's simple.

Don't change your spending.
Just change your card to Discover.

Keep using your Discover card for all your purchases big and small.
It's a smart way to earn *Cashback Bonus*.

Smart and easy ways to earn your
Cashback Bonus:



Set Up Auto Bill Pay ▶



Add an Authorized User ▶



Online Shopping at ShopDiscover ▶

Note(s)

New accounts represent online activated accounts

Robust growth, attractive returns and strengthening competitive advantage

- Strong momentum in card business in 2012:
 - 5.2% YOY growth in loans and 81bps increase in market share⁽¹⁾
 - 10% YOY increase in new accounts
 - 150bps YOY increase in wallet share with existing customers⁽²⁾
- Strategic focus on leveraging our competitive advantages through:
 - Launch of new flagship product - Discover it
 - Enhancing rewards leadership including leveraging proprietary network
 - Superior customer experience across online, mobile, and phone interactions
- Annual loan growth target of 2-5%
- Large, loyal customer base creating further growth opportunities

Note(s)

1. Includes weighted average card loans growth for American Express (U.S. Card), Bank of America (U.S. Card), Capital One (U.S. Card excluding installment loans & HSBC), Citi (Citi-branded Cards N.A.), and JPMorgan Chase (Card Services)
2. Internal and bureau data as of December 2012

2013 Financial Community Briefing



Carlos Minetti
EVP, President – Consumer Banking & Operations

Expansion to a diversified direct bank model driven by long-term strategic objectives

- Develop additional sources of sustainable growth
- Provide asset class and earnings diversification
- Grow core funding source and lower overall cost of funds
- Pursue opportunities that align with “direct-to-consumer” distribution model
- Leverage proven Discover strengths / competitive advantage

Leveraging strengths and capitalizing on changing market conditions to launch new businesses

Strengths

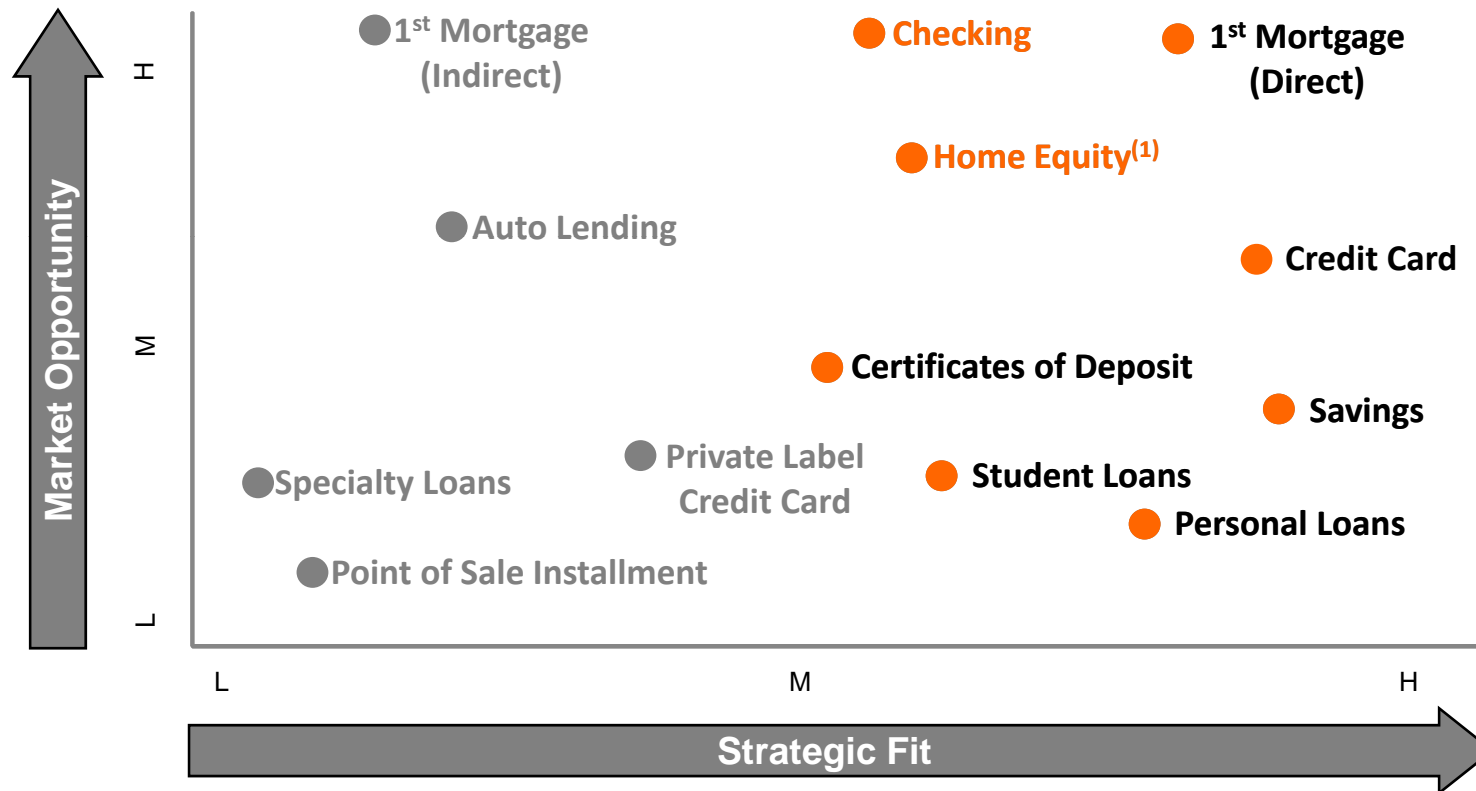
- Discover brand
- Loyal customer base
- Customer service and online experience
- Risk management and analytics
- Product development and direct marketing

Marketplace

- Financial crisis created market disruption and forced many firms to pull back
- Changing consumer attitudes towards debt
- Evolving regulatory climate
- Growing acceptance of online banking
- Emergence of mobile technology

Pursued disciplined execution around categories with sizeable opportunity and best fit to direct model

Consumer Banking Landscape



Source Moody's, SNL, TransUnion, Discover analysis

Note(s)

1. Home equity product launch to be determined

Made remarkable progress and new businesses increasingly contributing to the bottom line

The image shows a screenshot of the Discover website homepage. At the top, the Discover logo is on the left, and navigation links for 'Log In', 'All Products & Services', 'Customer Service', and 'Community' are on the right. A search bar is also present. The main headline reads 'It's all here. Credit. Savings. Loans.' Below this, there are four product categories: 'Credit Cards', 'Cashback Bonus', 'Banking', and 'Loans'. Each category has a list of sub-options and a 'Go To' link. The 'Banking' and 'Loans' categories are highlighted with orange boxes. Below these boxes, two callout boxes provide additional data: the 'Banking' box lists '\$28Bn of direct deposits', '47% of funding', and '600K customers'; the 'Loans' box lists '\$12Bn in receivables⁽¹⁾', '18% of receivables', and '10% of Direct Banking NI'. The background of the website features a piggy bank, a shopping bag, and a graduation cap.

Credit Cards
Compare All Cards
Build My Card
Find Pre-Approved Offers
[Go To Discover Card >](#)

Cashback Bonus
5% Cashback Bonus
ShopDiscover
Redeem Your Cashback Bonus
[Go To Cashback Bonus >](#)

Banking
[Checking](#)
[Savings](#)
[Retirement](#)

Loans
[Home Loans](#)
[Student Loans](#)
[Personal Loans](#)

• \$28Bn of direct deposits
• 47% of funding
• 600K customers

• \$12Bn in receivables⁽¹⁾
• 18% of receivables
• 10% of Direct Banking NI

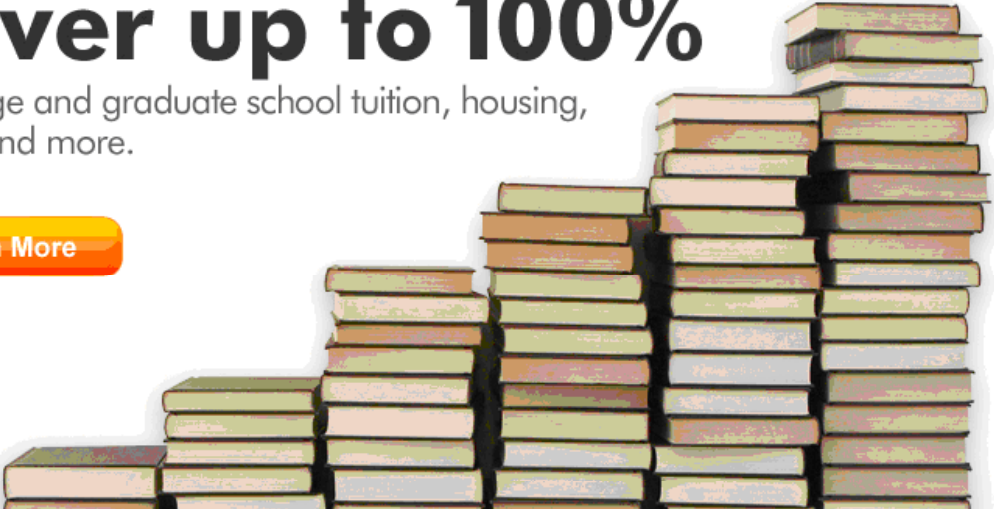
Note(s)

1. Includes contractual student loan receivables, a non-GAAP measure; see appendix for reconciliation

Discover Student Loans

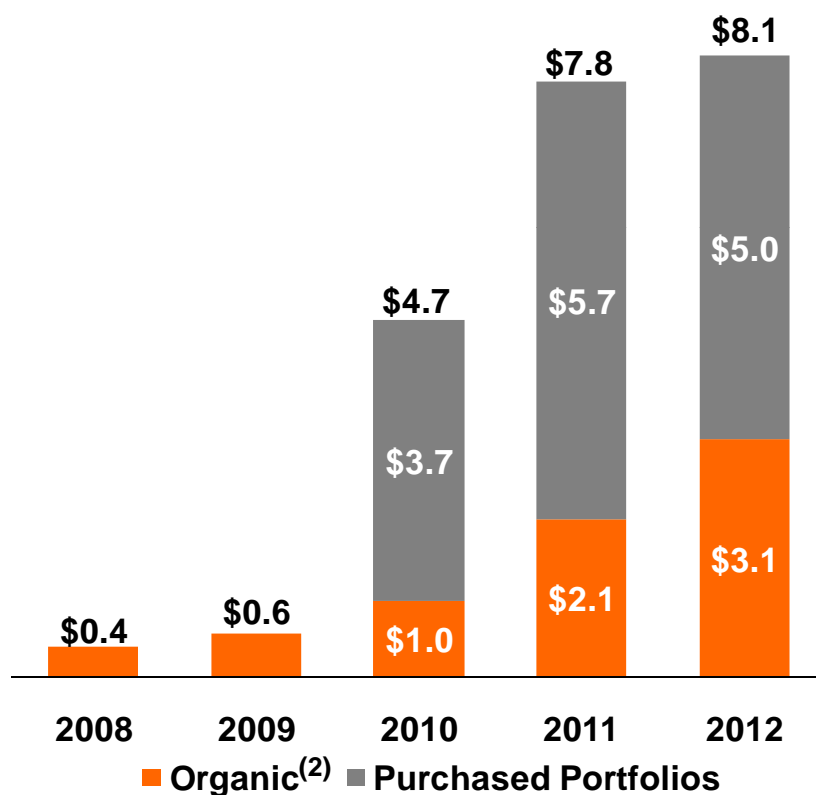
Cover up to 100%
of college and graduate school tuition, housing,
books and more.

[Learn More](#)



Generated substantial organic loan growth and integrated acquired portfolios

Student Loan Receivables (\$Bn)⁽¹⁾



Note(s)

1. Contractual receivables is a non-GAAP measure; amounts represent year-end balances, see appendix for reconciliation
2. Includes CitiAssist originated loans for 2011 and 2012

2012 Accomplishments

Expanded product breadth and market presence

- Launched health professions, law and MBA loans
- Implemented fixed rate loan
- Expanded placement on schools' lists
- Migrated acquired customers to the Discover brand

Enhanced operating efficiency

- Increased operational scale and in-sourced servicing for 400K CitiAssist accounts
- Launched new collections platform
- Implemented new risk model and enhanced underwriting process

Increase volume of Discover-branded originations and manage losses as more loans enter repayment

**Tuition. Housing. Books.
Covered.**

See Student Loans



2013 Priorities

Accelerate Discover-branded growth

- Expand product offerings, including Bar, Residency and Consolidation loans
- Implement enhanced marketing strategy
- Capture increased share of repeat borrowing

Maintain strong portfolio economics

- Optimize marketing channel mix to reduce acquisition costs
- Increase pre-repayment education for borrowers and cosigners
- Offer more repayment options to assist customers
- Enhance self-service functionality

Discover Personal Loans



The image shows a landing page for Discover Personal Loans. On the left is a white login box with the title "SECURE ACCOUNT LOG IN ?". It contains input fields for "User ID", "Password", and a dropdown menu for "Personal Loans". Below these are a red "Log In" button and a blue "Register Now" link. At the bottom of the box are checkboxes for "Remember User ID ?" and a link for "Forgot User ID/Password?". The background is a warm-toned wooden desk with a pair of glasses, a pen, and some papers. In the center, the text "What would you do with a personal loan?" is displayed above the handwritten phrase "Take control of my finances". In the top right corner, there is an orange banner that says "WATCH OUR VIDEO" with a play button icon.

SECURE ACCOUNT LOG IN ?

User ID

Password

Personal Loans ▼

[Log In](#) [Register Now](#)

☐ Remember User ID ? [Forgot User ID/Password?](#)

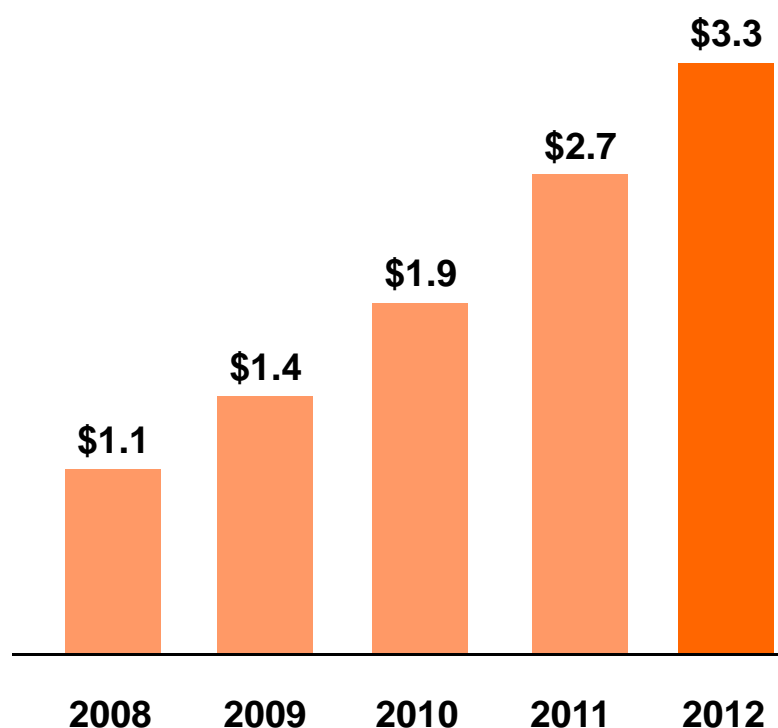
What would you do with a personal loan?

Take control of my finances

WATCH OUR VIDEO

Delivered robust receivables growth from high quality consumers

Personal Loan Receivables (\$Bn)



Source Discover, calendar year

2012 Accomplishments

Improved customer acquisition

- Introduced new risk models for broad market
- Developed new direct mail targeting models
- Improved application conversion rates

Enhanced customer contact strategy

- Launched public website
- Streamlined online application process
- Introduced electronic delivery of documents

Discover Home Loans

A horizontal banner for Discover Financial Service. The background is a photograph of a house with a grey stone wall and yellow daffodils in the foreground. On the left, a blue and white gradient box contains text. On the right, a white box contains a 'Get Started' button and a phone number.

Buy or refinance with a name you can trust.

Move ahead with confidence when you choose Discover.

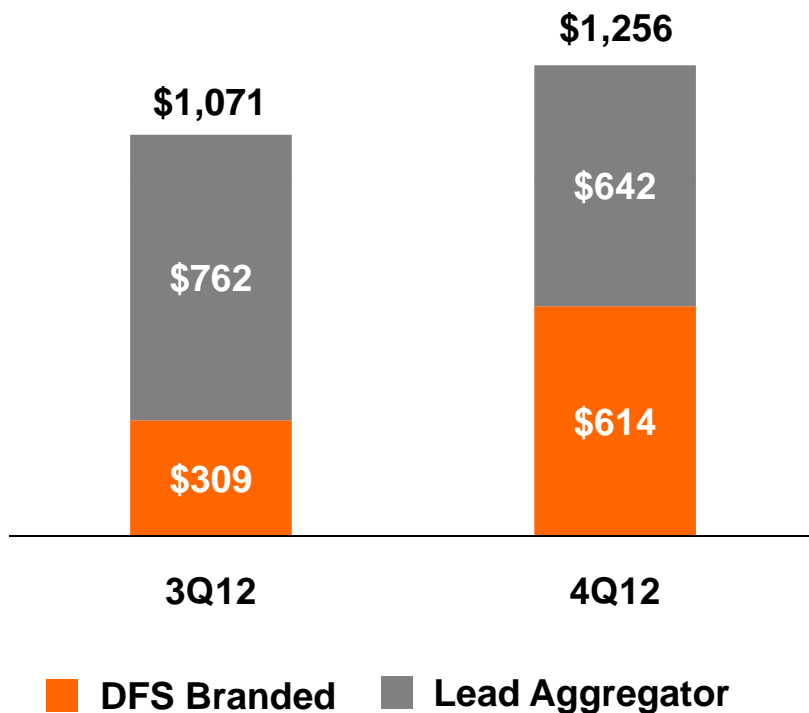
DISCOVER
FINANCIAL SERVICE

[Get Started](#)

Or call 1-888-866-1212

Successfully completed acquisition and established strong market presence

Funded Loan Volume (\$MM)



2012 Accomplishments

Executed seamless transition

- Operating in 48 states and DC
- Integrated risk management

Built marketing capabilities

- Multi-channel brand awareness campaigns
- Online and direct marketing infrastructure

Developed customer-centric experience

- Dedicated mortgage banker
- Simple application process with online status tracking
- Service guarantee and reward programs

Source Discover, calendar year

Enhance operating model to capture additional customers and achieve cost efficiencies



2013 Priorities

Broaden market presence

- Launch VA & Jumbo products
- Enhance distribution capability to target purchase market
- Establish partnerships to source leads

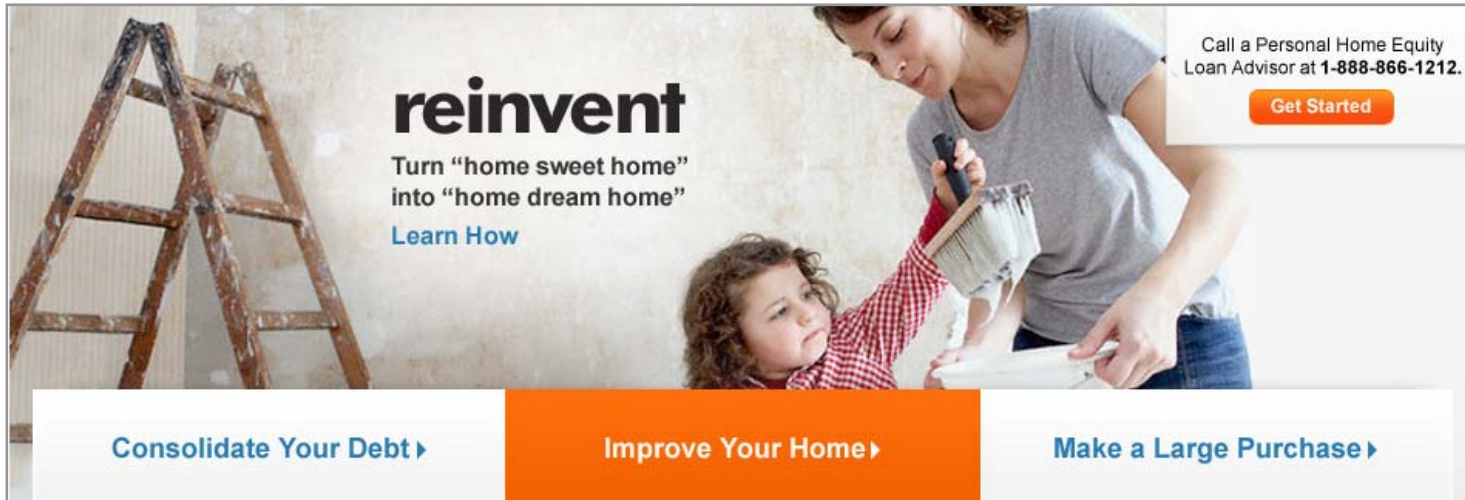
Expand marketing capabilities

- Improve customer targeting and conversion
- Enhance online tools and content
- Implement broad market strategy

Drive operational efficiencies

- Gain funding and operational efficiencies
- Make strategic infrastructure investments
- Improve secondary market execution

Discover Home Equity Loans



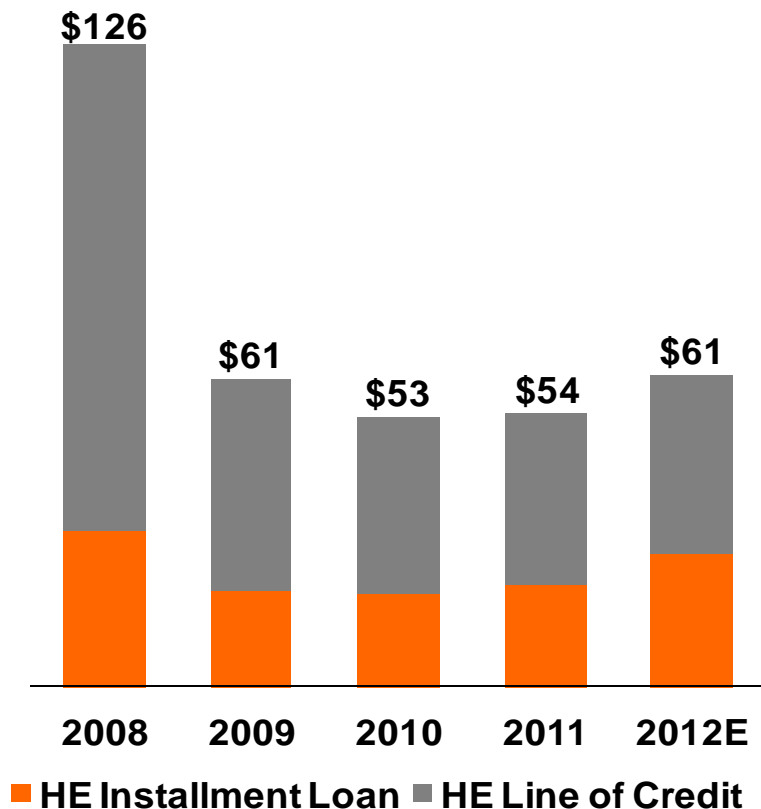
reinvent
Turn “home sweet home”
into “home dream home”
[Learn How](#)

Call a Personal Home Equity
Loan Advisor at **1-888-866-1212**.
[Get Started](#)

[Consolidate Your Debt ▶](#) [Improve Your Home ▶](#) [Make a Large Purchase ▶](#)

Housing market recovery provides Home Equity opportunity

Home Equity Industry Originations (\$Bn)



Source: Moody's Economy.com

Opportunities

Large market experiencing recovery

- Early signs of recovery observed in 2012
- Equity in homes being replenished as home values increase

Credit risk is manageable

- Initial underwriting grounded on unsecured lending expertise
- Loss rates on new originations have returned to pre-crisis levels of 1%

Discover customers targeted for initial launch

- Approximately 80% of Discover customers are home owners
- Sizeable percentage could benefit from home equity offering

Home Equity leverages the strengths of both Home Loans and Personal Loans

Personal Loans Strengths

- Prospect targeting and direct marketing
- Credit modeling and analytics
- Judgmental underwriting

Home Loans Strengths

- Real estate loan sales
- Loan processing and documentation
- Online customer experience



Home Equity Positioning

- Secured, closed-end, fixed-rate product
- Consolidate loans to lower interest rates and pay down debt
- Loan balances between \$25K and \$100K
- Direct marketing supported by online presence

Direct-to-Consumer Deposits

Pay the way you want with our
Cashback Checking account.

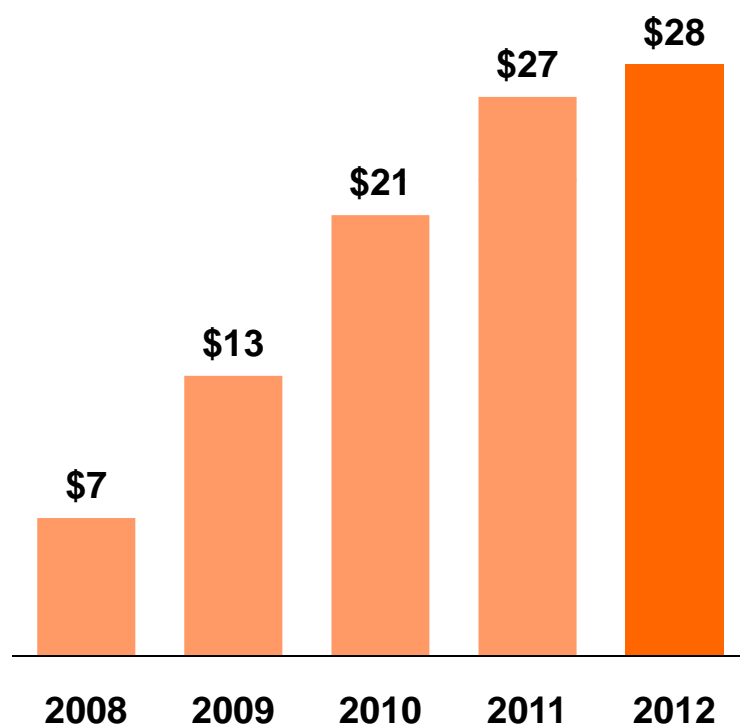
For every debit card swiped, check written, and online bill paid you get rewarded with *Cashback Bonus*.

Open Today



Strengthened economic attributes of the portfolio and broadened value proposition

Direct-to-Consumer Deposits (\$Bn)⁽¹⁾



Source Discover, calendar year

Note(s)

1. AAA Affinity deposits are included as consumer deposits, but are classified as brokered deposits in FDIC call reports

2012 Accomplishments

Improved portfolio economics

- De-emphasized rate positioning
- Focused acquisitions on cross-sell and affinity
- Improved CD renewal and portfolio retention rates

Enhanced customer experience

- Upgraded mobile and tablet capabilities
- Launched mobile bill payment and remote deposit capture
- Added “click to chat” to 24X7 customer service

Establish core banking presence and lower cost of funds with launch of checking product



Strategic Rationale

- Achieves cost of funds benefit in a rising rate environment
- Deepens customer relationships given transactional nature of product
- Delivers richer product features and better value given lower direct banking cost structure
- Leverages Discover and PULSE networks

Discover Cashback Checking fulfills unmet consumer needs

Customer Insights

- Almost 50% of consumers who switch banks do so because of new or higher fees⁽¹⁾
- Majority of households maintain more than one checking account⁽²⁾
- More than 60% of those aged 18-34 prefer to bank via the internet or via mobile phone⁽¹⁾
- Cash rewards program seen as compelling for Discover customers⁽³⁾

Value Proposition

No monthly service fees

No minimum balance

Earn Cashback Bonus on everyday transactions:⁽⁴⁾



Note(s)

1. Mintel Retail Banking Report, Oct 2012. Internet users aged 18+ who have a bank account and switched banks in the last three years
2. Discover transaction account online survey (Feb 2011)
3. Discover sponsored research
4. Consumer must have Discover credit card to earn Cashback Bonus

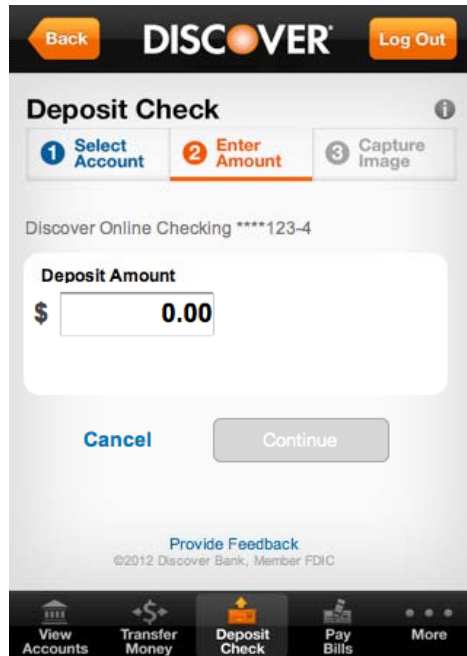
Lower cost structure enables Discover to offer feature-rich Cashback Checking

	DISCOVER®	Chase	Bank of America	Wells Fargo
	Cashback Checking	Total Checking	eBanking	Value Checking
No Monthly Fee (No Balance/Activity Requirements)	✓	×	×	×
Access to Over 60,000 No Fee ATMs	✓	×	×	×
Rewards on Purchases, Checks and Online Bill Pay transactions	✓	×	×	×
Free Online Bill Pay	✓	✓	✓	×
Free Money Transfers (Inbound / Outbound)	✓	✓	✓	✓
Free Check Reorders	✓	×	×	×
Free Official Bank Check	✓	×	×	×
Free Replacement Debit Card	✓	✓	×	✓
Expedited Delivery for your Replacement Debit Card	✓	×	×	✓
Branches	×	✓	✓	✓

Note(s)

- Banks may waive fees if other conditions are met
- Competitors' fees and features are quoted for accounts opened in Illinois as of 2/18/13. Fees obtained from company account agreements, fee schedules, online chat and calls to customer service centers.
- Access to over 60,000 ATMs for Discover Cashback Checking customers based on planned network coverage

Smart phone imaging capability enables remote check deposits

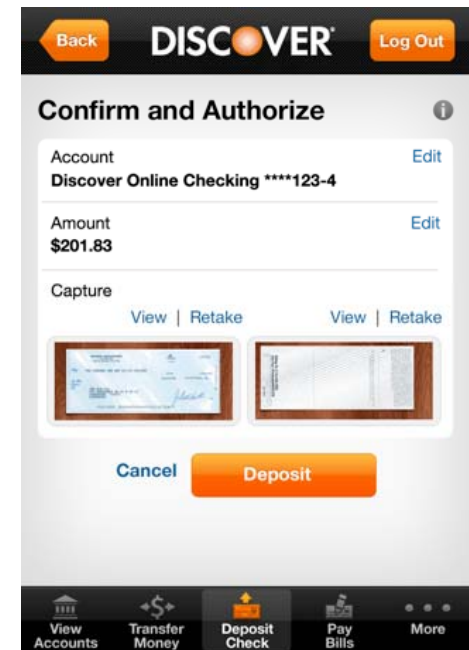


The screen shows the 'Deposit Check' process. At the top, there are 'Back' and 'Log Out' buttons. Below them is the 'DISCOVER' logo. The main heading is 'Deposit Check'. There are three steps: 1. Select Account, 2. Enter Amount (highlighted), and 3. Capture Image. Under 'Discover Online Checking ****123-4', there is a 'Deposit Amount' field with a dollar sign and the value '0.00'. Below this are 'Cancel' and 'Continue' buttons. At the bottom, there is a 'Provide Feedback' link and a copyright notice '©2012 Discover Bank, Member FDIC'. The bottom navigation bar includes 'View Accounts', 'Transfer Money', 'Deposit Check' (highlighted), 'Pay Bills', and 'More'.

Enter Deposit Amount



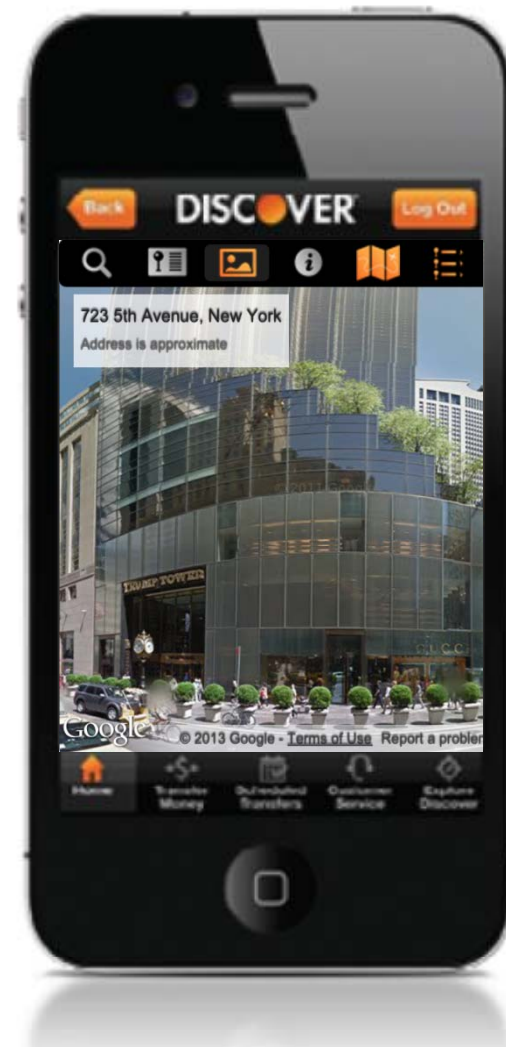
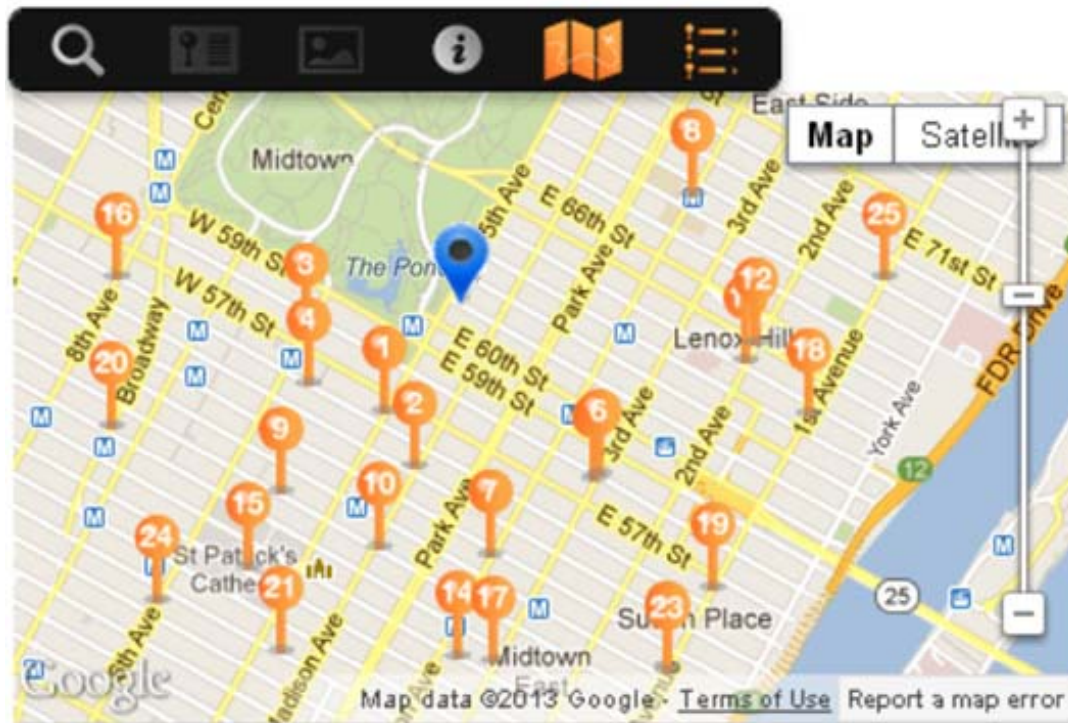
Capture Image



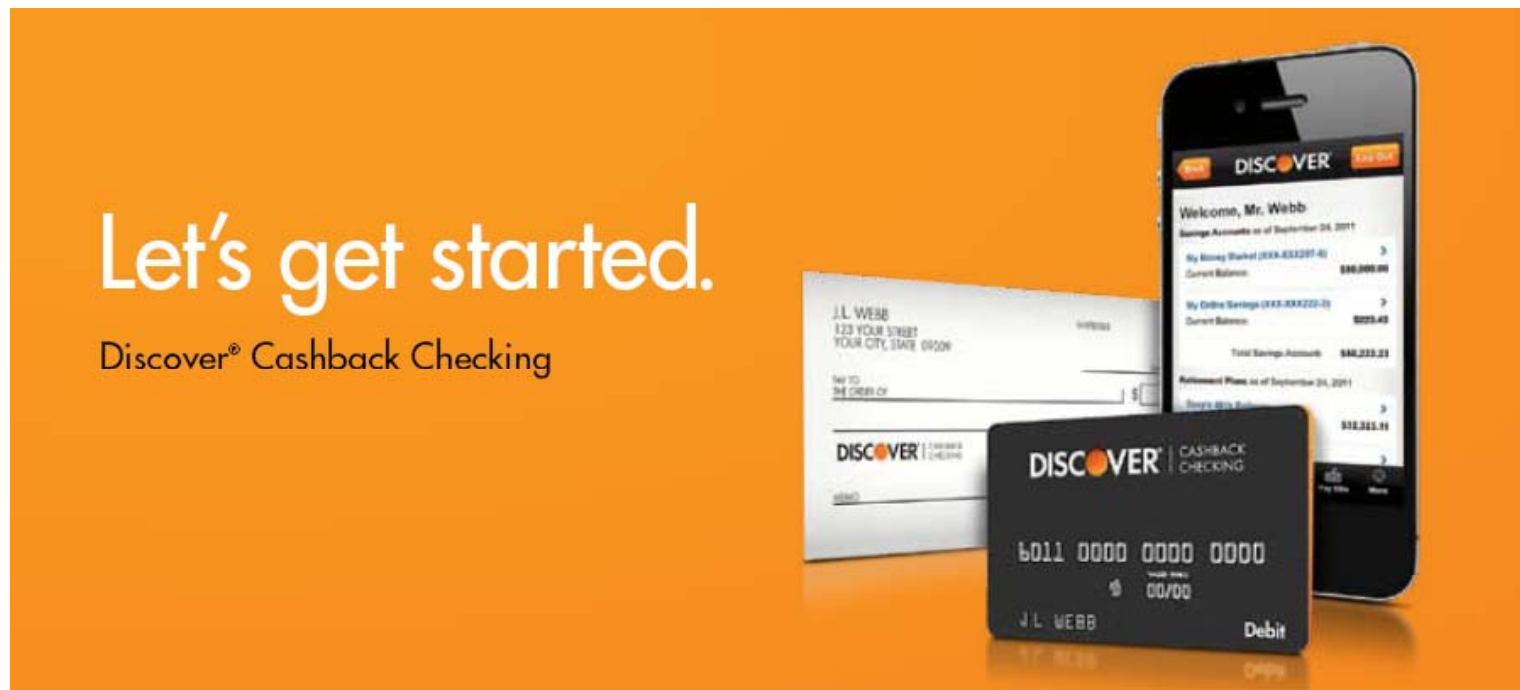
The screen shows the 'Confirm and Authorize' step. At the top, there are 'Back' and 'Log Out' buttons. Below them is the 'DISCOVER' logo. The main heading is 'Confirm and Authorize'. It shows the account 'Discover Online Checking ****123-4' and the amount '\$201.83'. Below this is a 'Capture' section with two thumbnails of the check and 'View' and 'Retake' buttons. At the bottom are 'Cancel' and 'Deposit' buttons. The bottom navigation bar is the same as the previous screens.

Confirm and Authorize

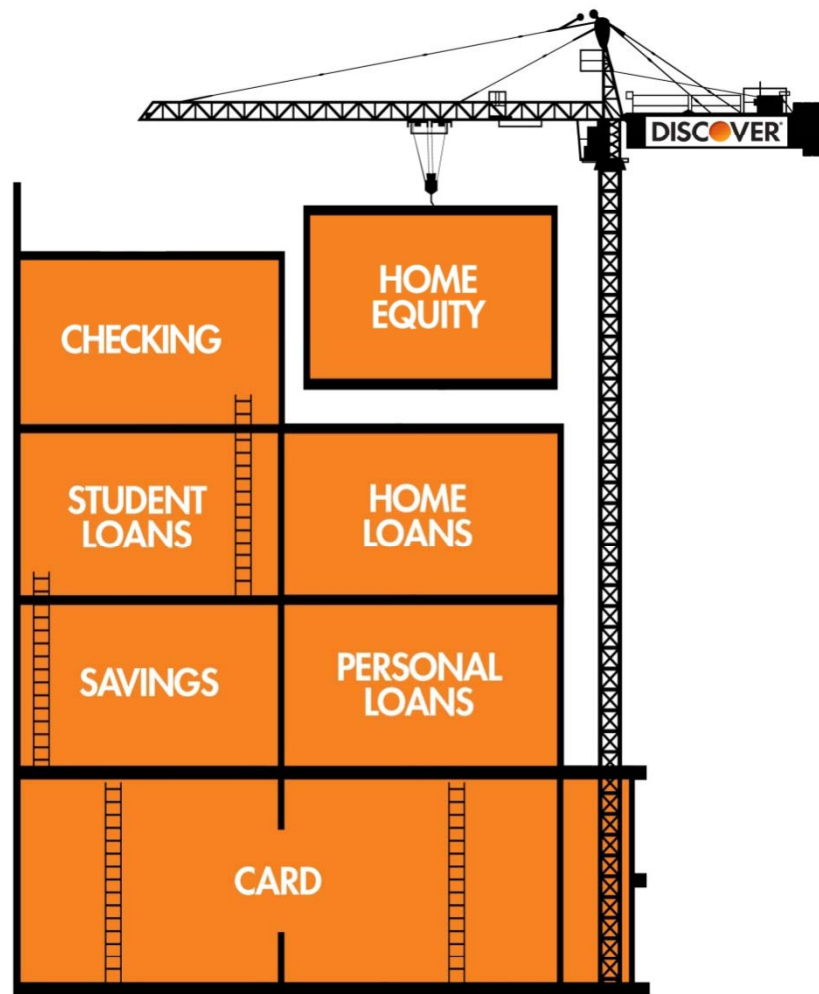
No-fee access to cash through extensive ATM network



Direct Cashback Checking will add a significant new product into our overall direct banking offering



Continue to execute against strategic roadmap to deliver superior shareholder value



2013 Financial Community Briefing



Diane Offereins
EVP, President – Payment Services

Achieving our vision through investments in acceptance and network capabilities

- Strategic payment network alternative for emerging partners and technologies
- Broadening payment network capabilities
- Driving volume with issuer partners
- Continuing to expand domestic and international merchant acceptance

Payments – delivering on our strategy

2007

- \$186Bn volume
- \$37MM PBT
- 265,000+ ATMs
- 7MM+ acceptance locations
- Settled in 1 currency
- Operated in 34 countries/territories

Owned



Network
Alliances



2012

- \$307Bn volume
- \$178MM PBT
- 900,000+ ATMs
- 21MM+ acceptance locations
- Settle in 27 currencies
- Operates in 185 countries/territories

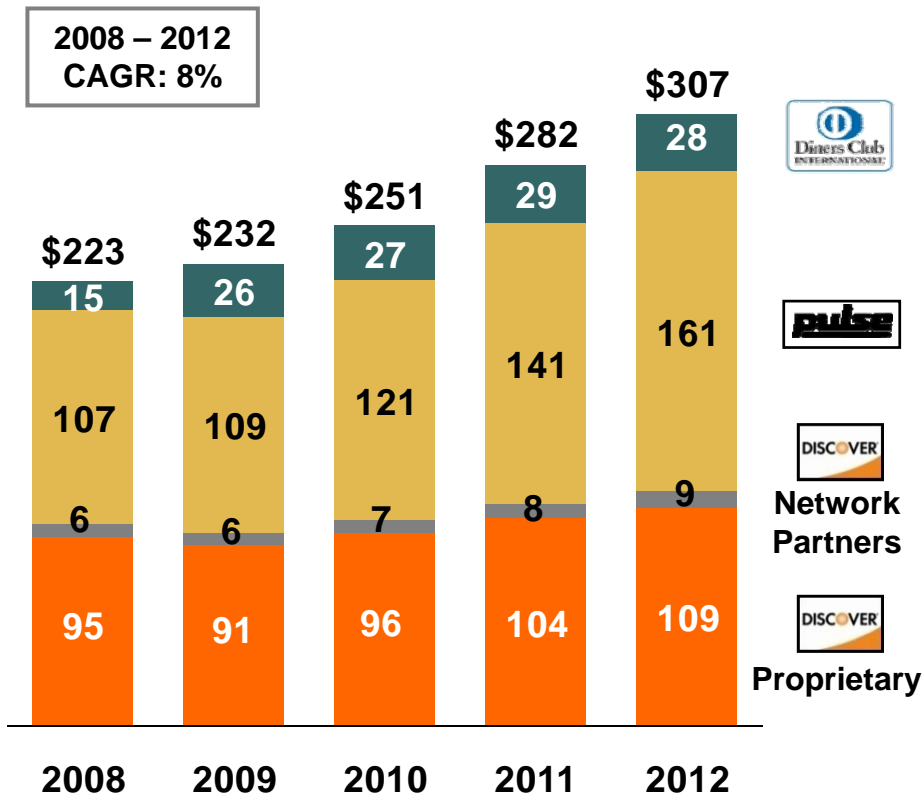


Note(s)

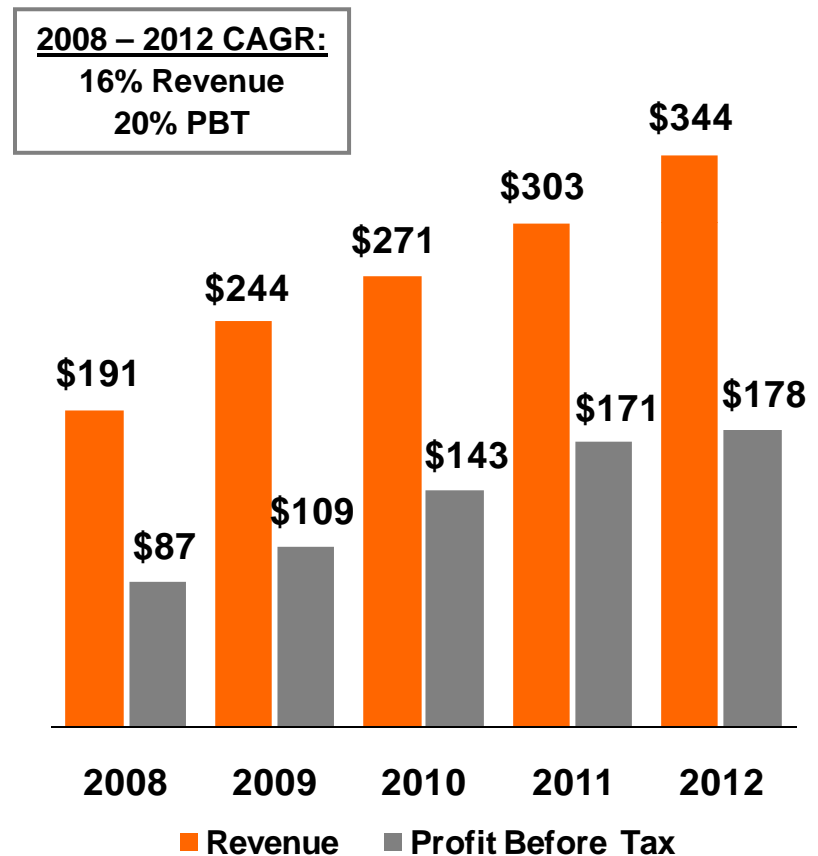
Fiscal year ending figures for 2007 and calendar year data for 2012

Strong increase in volume and revenue

Volume Growth (\$Bn)



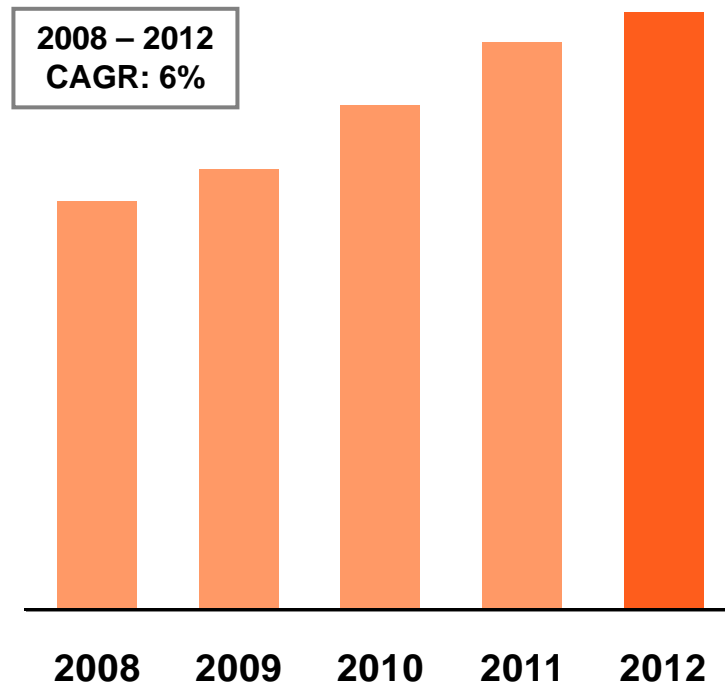
Payment Services Revenue & Profit Before Tax (\$MM)



Source Discover, calendar year

U.S. acceptance drives revenue growth

Active Merchant Outlets⁽¹⁾



Areas of focus

- High Impact Merchant Program
 - Over 50K outlets activated, \$1.5Bn in volume since 2009
- Direct Mail and Site Visits
 - Over 1MM contacts in 2012 through direct mail and in-person visits
- Promotional Pricing
 - 2013 initiative further driving small merchant engagement

2012 High Impact Merchant Marketing Wins

Neiman Marcus

Boden



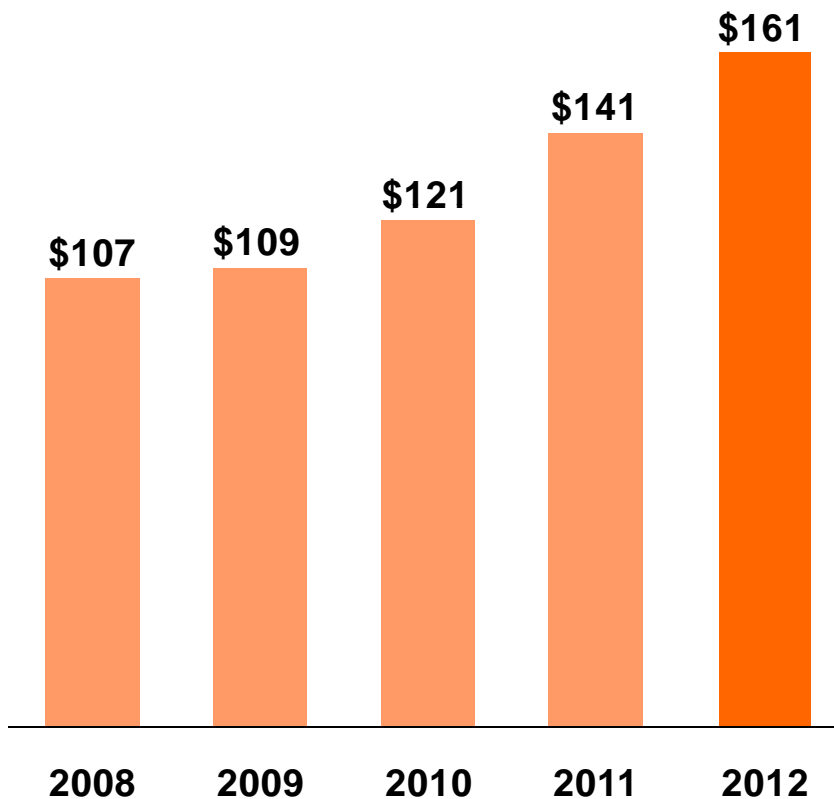
Note(s)

1. Merchants active in last 30 days

PULSE:

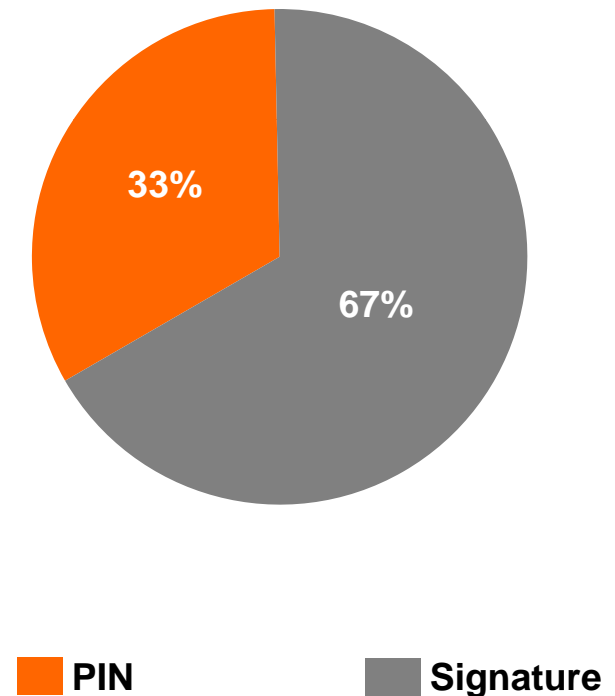
Strong performance in a highly competitive environment

PULSE Volume (\$Bn)



Source Discover, calendar year

Debit Industry Mix



Source 2012 Debit Issuer Study, commissioned by PULSE

Expanding network to all debit transactions

Cadence Bank

- Discover signature debit agreement with Cadence Bank
- Growing pipeline of Discover debit opportunities



Other Responses

- Launch support of PINless POS transactions under \$50 in 2Q13
- Pilot routing option to open signature debit transactions to PULSE in 3Q13
- Optimize product and pricing strategies to diversify revenue and support technology innovations

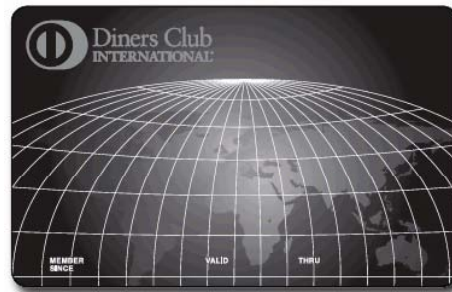
Investing in Diners franchise partnerships

New partnerships with the largest credit issuers in:

India



Russia



China

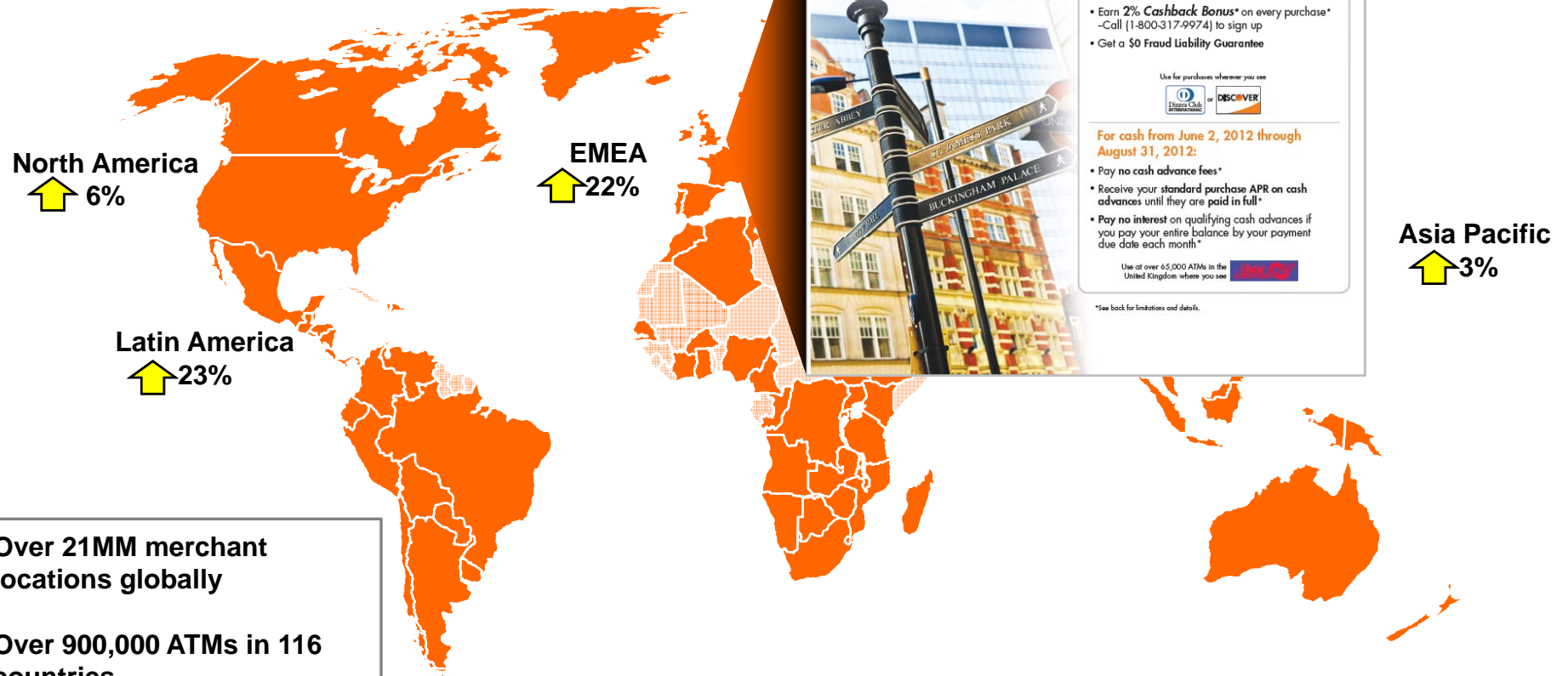


- Diners Club International issuing program launched in September 2012

- Diners Club International issuing program launched in July 2012
- On track to become the second franchise issuer of Discover Card in 2013

- Diners Club International issuing program will launch in 2013

Strong global acceptance growth in 2012



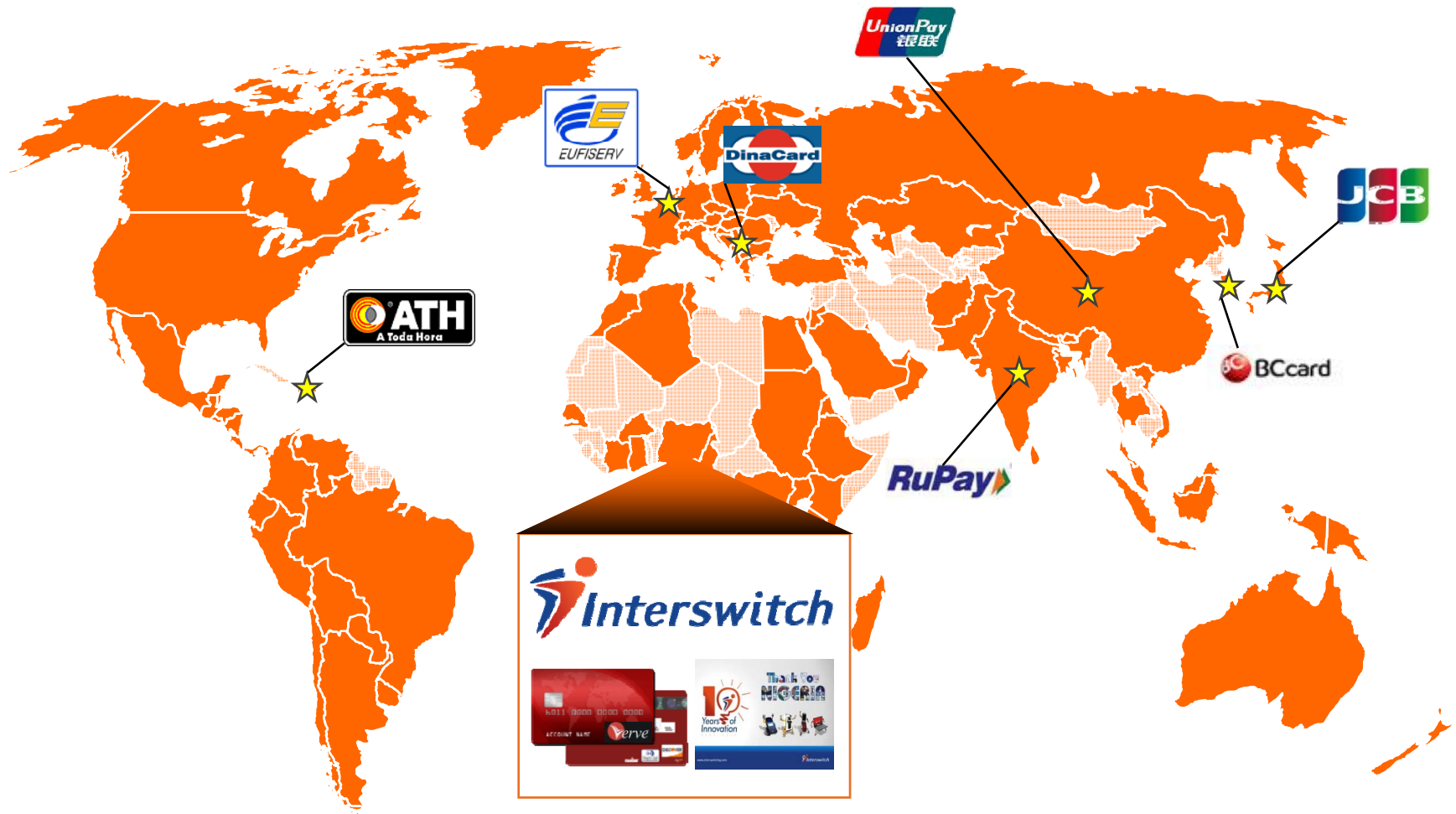
- Over 21MM merchant locations globally
- Over 900,000 ATMs in 116 countries
- Over 1.2MM net new outlets outside the U.S.



Note(s)

- The map denotes countries or territories with transactional activity in the last year (bright orange)
- Outlet growth percentages based on year-over-year internal reporting
- Merchant locations based on Retail Banking Research

Network alliance update



Investing in network capabilities

EMV / Chip

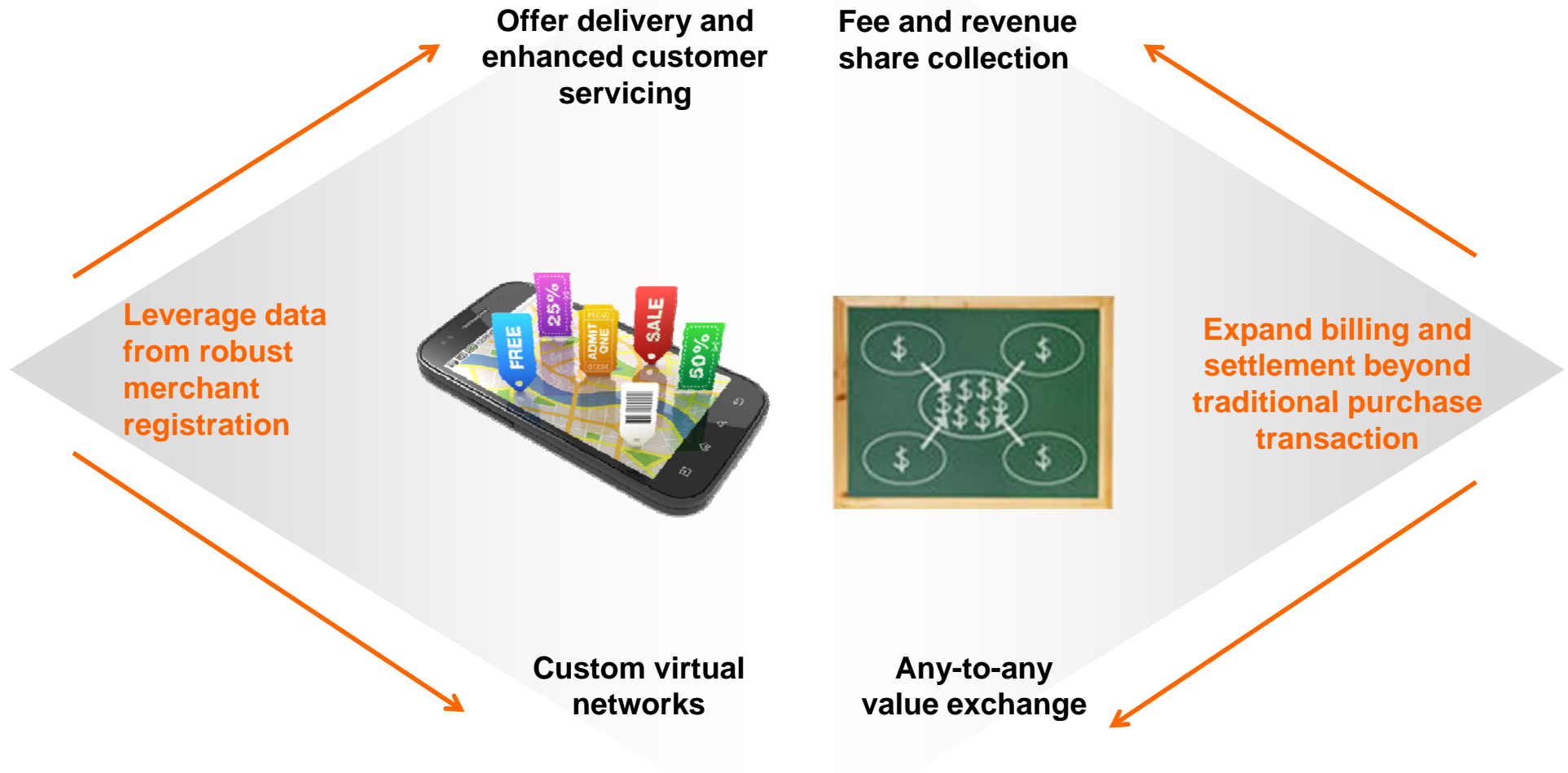
- Deploying Discover D-PAS domestically & internationally across our networks
- Discover uniquely licenses its D-PAS specification to networks lacking an EMV specification of their own



Mobile / Emerging

- Real-time “receipts”, alerts, and offers delivered seamlessly from moment of payment to cardmember device
- Advanced authentication and security for mCommerce and eCommerce payments
- Linkage from mobile devices to cloud-based mobile wallets
- Rules and guidelines for mobile wallet providers to allow network-to-issuer data flow

Leveraging infrastructure for unique emerging payments solutions



PayPal partnering with Discover to reach the physical POS



What is the opportunity?

- Leverages Discover's 9MM+ domestic merchant footprint
- Acquirer pricing set by PayPal
- Acceptance of PayPal is seamless to participating merchants

What does PayPal bring?

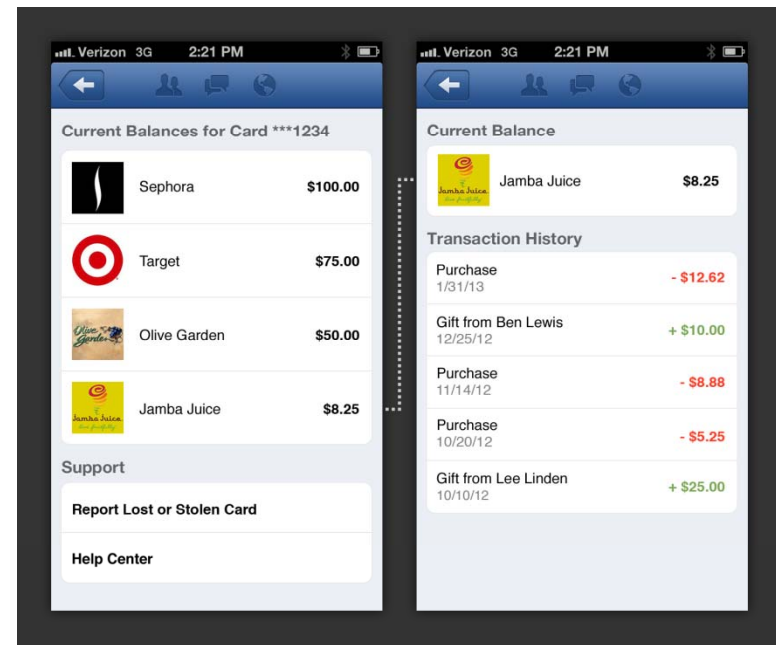
- PayPal has 50MM+ active domestic account holders
- PayPal's net Total Payment Volume for 2012, the total value of transactions, was \$145Bn
- Transactions are governed by PayPal operating regulations and program rules

What does Discover bring?

- Discover serves as a 3rd Party service provider to PayPal
- Contacted qualified merchants in the DFS retained portfolio
- DFS acquiring partners have been contacted to secure acceptance of PayPal at their merchants
- Program on-track to launch Spring 2013

Unique network assets deliver another collaboration

- Facebook launched the Facebook Gift card program on January 31, 2013
- The Facebook Card will serve as a single access device to multiple merchant gift monies, stored in separate “purse” accounts
- Program provides consumer choice



2013 Financial Community Briefing



Mark Graf
EVP & Chief Financial Officer

Financial drivers – the year ahead

- Targeting greater than industry average card loan growth
- Investing in growth opportunities while maintaining core expense discipline
- Funding benefit from low rate environment continues to help offset card yield compression
- Continuing to diversify funding and maintaining robust liquidity
- Capital supports growth, dividend actions and share repurchase

Key long-term targets

	Growth Rate
Card Receivables	2 - 5%
Other Consumer Lending	5 - 10%
Payments Volume	10%+
<hr/>	
Tier 1 Common Ratio⁽¹⁾	~9.5%
ROE	15%+

Note(s)

1. Tier 1 common capital (non-GAAP measure) as a percent of risk-weighted assets under Basel I; see appendix for reconciliation

Strong calendar year 2012 financial performance

(\$MM, except per share data)	CY2011	CY2012	B / (W)		
			\$ Δ	% Δ	
Net Interest Income	\$4,900	\$5,421	\$521	11%	• Net interest income increased due to loan growth and margin expansion
Other Operating Revenue	2,203	2,269	66	3%	
Total Revenue	\$7,103	\$7,690	\$587	8%	
Net Charge-offs	\$2,012	\$1,309	\$703	35%	• Less benefit from reserve releases offset by lower charge-offs
Reserve Changes build/(release)	(1,033)	(457)	(576)	(56%)	
Provision for Loan Loss	\$979	\$852	\$127	13%	
Operating Expenses	\$2,562	\$3,074	(\$512)	(20%)	• Operating expense increased due to legal expenses, launch of home loans and other
Pretax Income	\$3,562	\$3,764	\$202	6%	
Net Income (Loss)	\$2,260	\$2,351	\$91	4%	
Diluted EPS	\$4.13	\$4.50	\$0.37	9%	
ROE	30%	26%	-400 bps		

Net interest margin remains above business model target

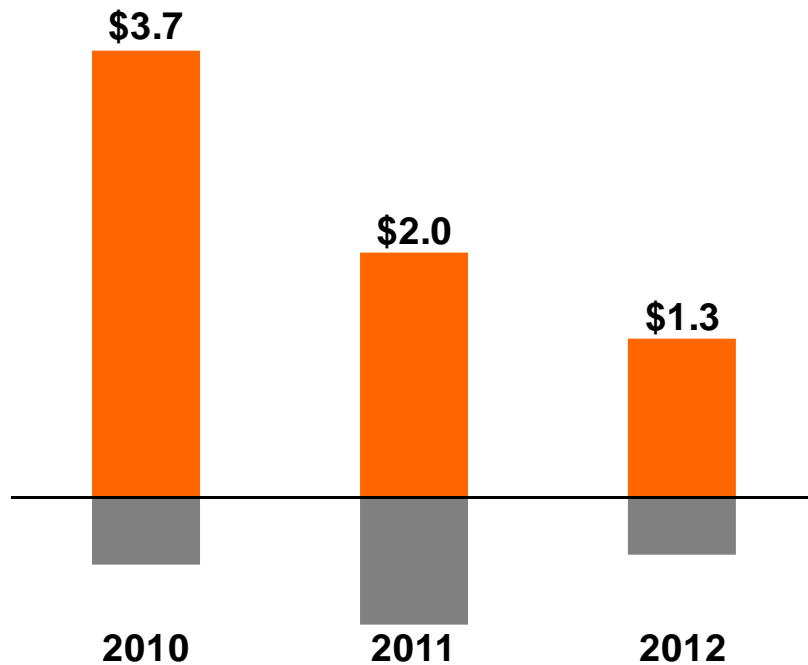
(\$MM)	CY2011		CY2012	
	Average Balance	Rate	Average Balance	Rate
Loan receivables	\$53,971	11.69%	\$58,336	11.38%
Other interest-earning assets	10,772	0.68%	12,523	0.77%
Total interest-earning assets	\$64,743	9.86%	\$70,859	9.50%
Interest bearing deposits	\$36,563	2.67%	\$41,308	2.01%
Borrowings	18,625	2.70%	19,145	2.52%
Total interest-bearing liabilities	\$55,188	2.68%	\$60,453	2.21%

- Lower funding costs more than offset yield compression
- Net Interest Margin Outlook:
 - Expected to remain above normalized range of 8.5-9.0% for 2013

NIM on receivables	9.08%	9.29%
NIM on interest-earning assets	7.57%	7.65%

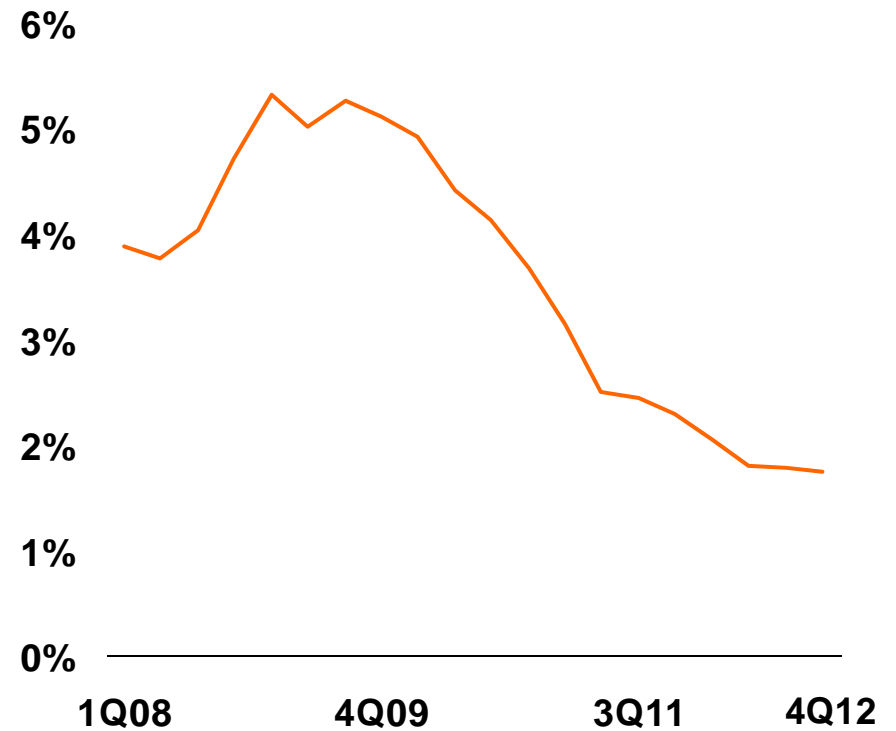
Expect near-term stabilization in credit

Provision for Loan Losses (\$Bn)



■ Net Principal Charge-Off ■ Reserve Release

Credit Card
30+ Delinquency Rates (%)⁽¹⁾

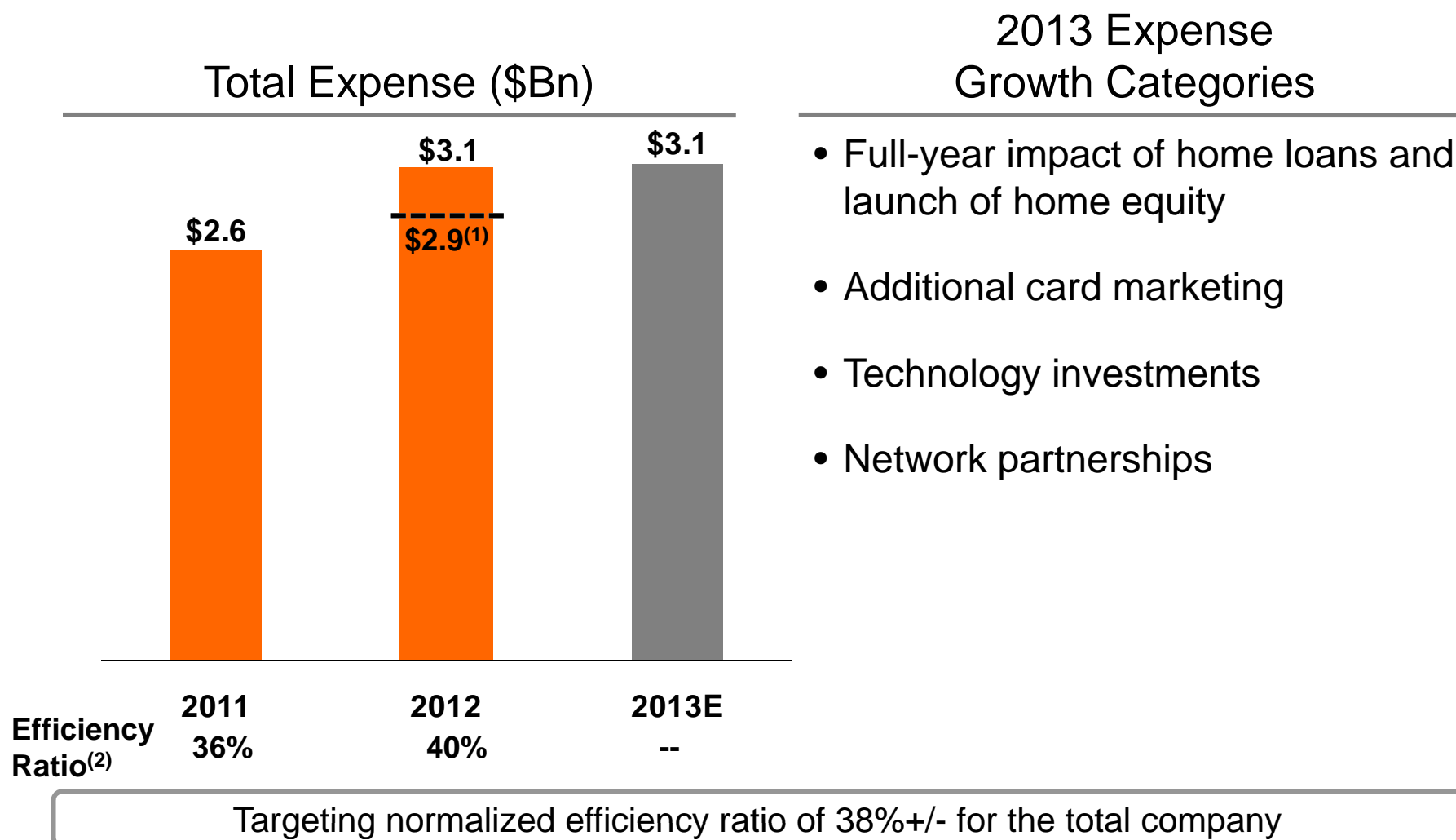


Source Discover, calendar year

Note(s)

1. Periods prior to 2010 are as adjusted for FAS 166/167

Expenses driven by a purposeful increase in investments for future growth

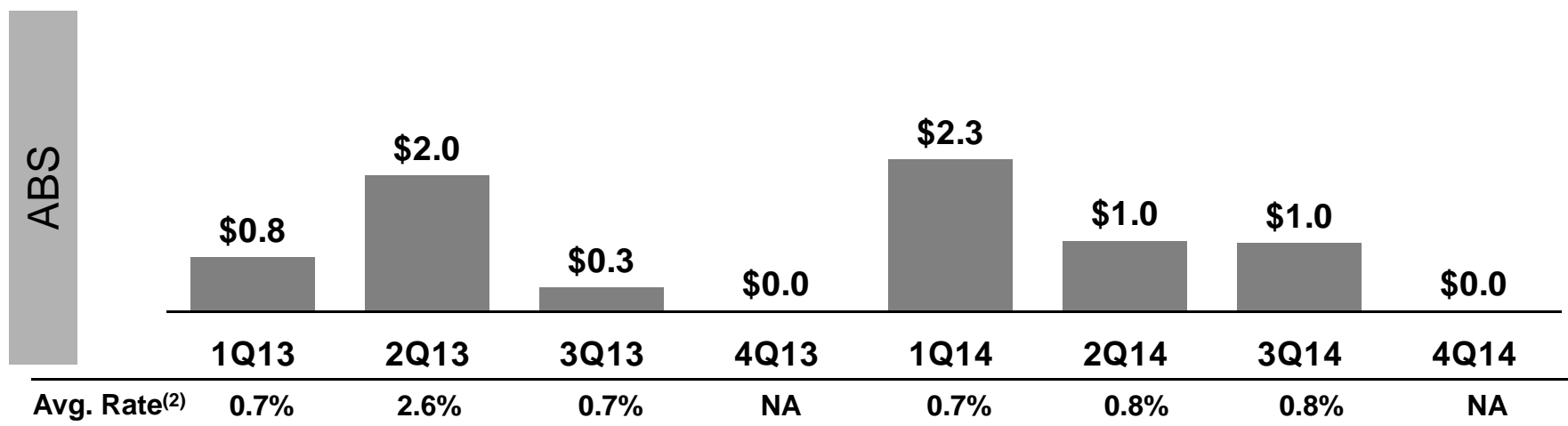
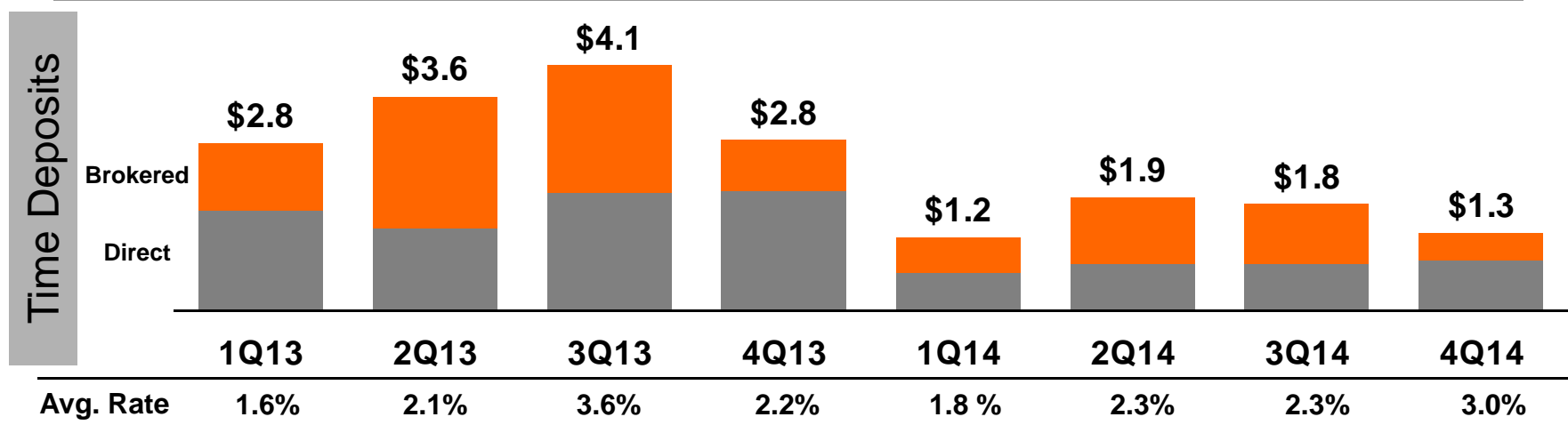


Note(s)

1. Adjusted for \$216 million of legal expenses incurred in 2012 and associated primarily with the CFPB and FDIC consent order
2. Defined as reported noninterest expense divided by total revenue (net interest income and noninterest income)

High rate time deposits continue to roll off

Maturity Schedule through 2014 (\$Bn)⁽¹⁾



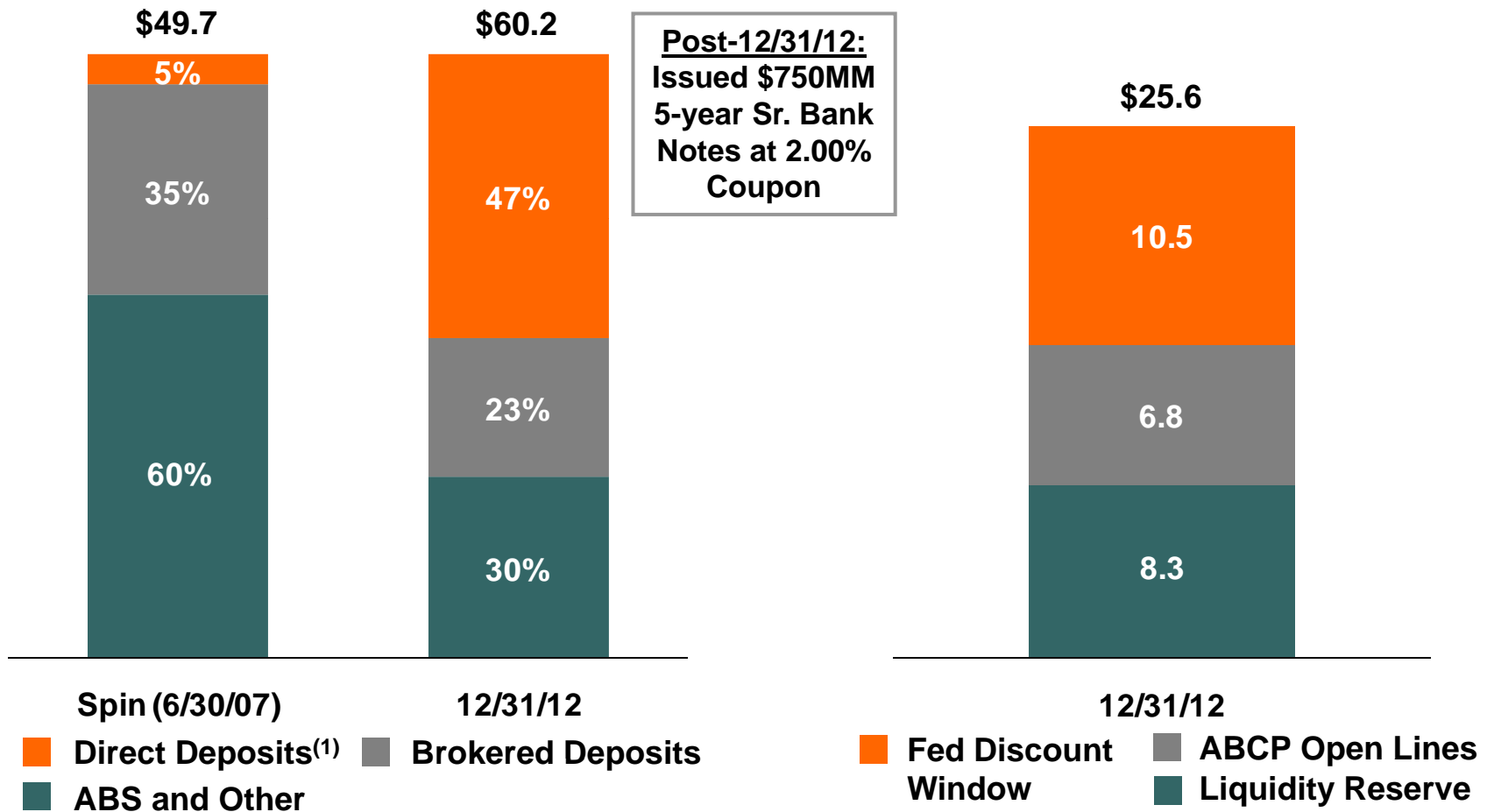
Note(s)

1. Based on liabilities on the balance sheet as of 12/31/12; excludes expected new issuances and FDIC costs
2. Floating rate ABS is based on market rate estimates as of 2/28/13

Continuing to strengthen and diversify funding sources while maintaining robust liquidity

Funding Mix (\$Bn)

Contingent Liquidity Sources (\$Bn)

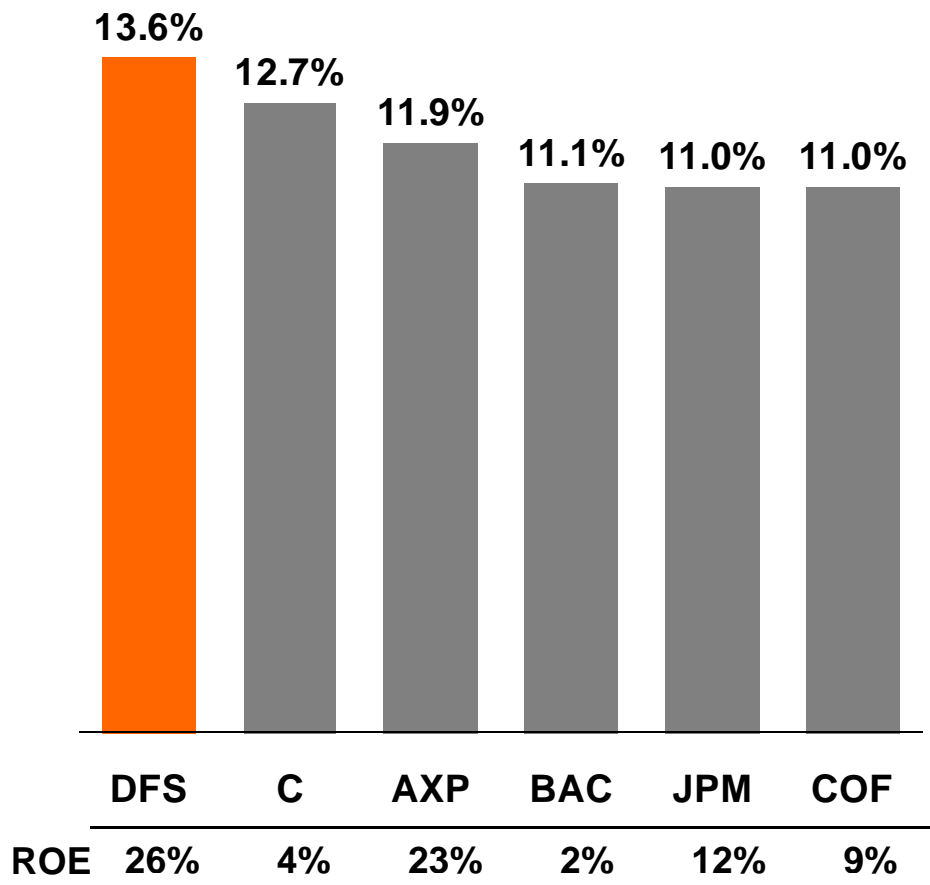


Note(s)

1. Includes affinity deposits

Excess capital can drive shareholder returns

4Q12 Tier 1 Common Ratio⁽¹⁾



- Despite excess capital, generating returns above 15% ROE target
- Returned ~\$1.4Bn in capital to shareholders in 2012 through share repurchases and dividends
 - Repurchased 6% of shares
 - Increased dividend 40%
- Will deploy excess capital through
 - Organic growth
 - Dividend actions
 - Share repurchases
 - Disciplined acquisitions

Source SNL, regulatory filings. Calendar year 2012 return on equity (ROE)

Note(s)

1. Tier 1 common capital (non-GAAP measure) as a percent of risk-weighted assets under Basel I; see appendix for reconciliation

Well positioned for 2013

- Greater than industry average card loan growth
- Net interest margin expected to be above target
- Expenses driven by prudent investments for growth
- Card delinquency trends are not indicating a change in credit environment
- Capital position / generation supports growth, dividend actions, share repurchases and potential acquisitions

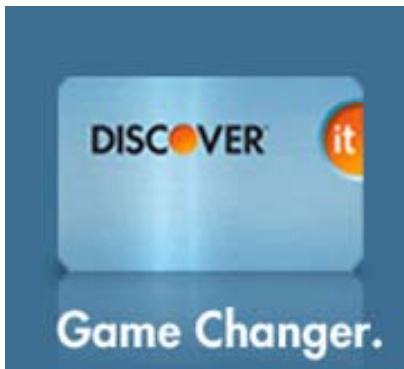
2013 Financial Community Briefing



David Nelms
Chairman & Chief Executive Officer



The leading direct bank and payments partner



2013 Financial Community Briefing



Appendix

Reconciliation of GAAP to Non-GAAP data

(unaudited, \$ in billions, calendar year data)	12/31/10	12/31/11	12/31/12
GAAP Recorded Balance Purchased (Private) Credit Impaired Student Loans (ending loans)	\$3.1	\$5.2	\$4.7
Adjustment for Purchase Accounting Discount	0.6	0.5	0.3
Contractual Value Purchased (Private) Credit Impaired Student Loans (ending loans) ⁽¹⁾	\$3.7	\$5.7	\$5.0
GAAP Private Student Loans (ending loans)	1.0	2.1	3.1
Contractual Value Private Student Loans (ending loans) ⁽¹⁾	\$4.7	\$7.8	\$8.1

(unaudited, \$ in billions, calendar year data)	Twelve Months Ended 12/31/12
GAAP Recorded Balance Purchased (Private) Credit Impaired Student Loans (average loans)	\$5.0
Adjustment for Purchase Accounting Discount	0.4
Contractual Value Purchased (Private) Credit Impaired Student Loans (average loans) ⁽¹⁾	\$5.4
GAAP Private Student Loans (average loans)	2.6
Contractual Value Private Student Loans (average loans) ⁽¹⁾	\$8.0

(unaudited, \$ in millions, calendar year data)	Twelve Months Ended 12/31/12
GAAP Private Student Loan Net Principal Charge-offs	\$19.8
Adjustment for Purchased (Private) Credit Impaired Student Loans Net Principal Charge-offs	70.8
Contractual Private Student Loan Net Principal Charge-offs ⁽²⁾	\$90.6

(unaudited, \$ in millions, calendar year data)	Twelve Months Ended 12/31/12
Card Pretax Income	\$3,295
Non-Card Pretax Income	291
GAAP Direct Banking Pretax Income	\$3,586
Card Pretax Income	\$3,295
Card Reserve Changes	488
Card Pretax Income (Excluding Reserve Changes)	\$2,807
GAAP Average Card Receivables	\$47,539
Card Pretax Return on Assets (Excluding Reserve Changes) ⁽³⁾	5.9%

Note(s):

1. The contractual value of the purchased private student loan portfolio is a non-GAAP measure and represents purchased private student loans excluding the purchase accounting discount. The contractual value of the private student loan portfolio is meaningful to investors to understand total outstanding student loan balances without the purchase accounting discount.

2. Contractual private student loan net principal charge-offs is a non-GAAP measure and include net charge-offs on purchase credit impaired loans. Under GAAP any losses on such loans are charged against the nonaccretable difference established in purchased credit impaired accounting and are not reported as charge-offs. Contractual net principal charge-offs is meaningful to investors to see total portfolio losses.

3. Card pre-tax return on assets excluding loss reserve changes is a non-GAAP measure and represents the pre-tax earnings of Discover's U.S. credit card business excluding changes to the allowance for loan loss reserve. Card pre-tax return on assets excluding loss reserve changes is a meaningful measure to investors because it provides a competitive performance benchmark.

Reconciliation of GAAP to Non-GAAP data (cont'd)

(unaudited, \$ in millions, calendar year data)

12/31/2012

Tier 1 Common Equity Reconciliation	
Total Shareholders' Equity	\$9,313
Effect of certain items in Accumulated Other Comprehensive Income (Loss) excluded from Tier 1 Common Equity	72
Less: Ineligible Goodwill and Intangible Assets	(475)
Total Tier 1 Common Equity ⁽¹⁾	<u>\$8,910</u>
Risk Weighted Assets	\$65,522
Tier 1 Common Ratio ⁽²⁾	13.6%

Note(s):

1. Tier 1 common equity, a non-GAAP financial measure, represents common equity and the effect of certain items in accumulated other comprehensive income (loss) excluded from tier 1 common equity, less goodwill and intangibles. Other financial services companies may also use tier 1 common equity and definitions may vary, so we advise users of this information to exercise caution in comparing tier 1 common equity of different companies. Tier 1 common equity is included to support the tier 1 common capital ratio which is meaningful to investors to assess the quality and composition of the Company's capital. Additionally, proposed international banking capital standards (Basel III) include measures that rely on the tier 1 common capital ratio.

2. Tier 1 Common Capital Ratio represents tier 1 common equity, a non-GAAP measure, divided by risk-weighted assets.