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EVP & Chief Financial Officer
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Notice

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Throughout these materials, direct-to-consumer deposits are referred to as DTC deposits. DTC deposits include deposit products that we offer to customers through direct marketing, internet origination and affinity relationships. DTC deposits include certificates of deposits, money market accounts, online savings and checking accounts, and IRA certificates of deposit.
Positioning to be the leading direct bank

Direct Banking Strategy

- Discover to become the leading direct bank by leveraging our unique assets and capabilities to grow credit card market share and pursue other high-return direct consumer banking opportunities in the U.S.

Direct Banking Segment (97% of DFS Pre-Tax Profit)

- $54Bn in card receivables
- Leading cash rewards program
- 1 in 4 U.S. households

U.S. Card Issuing

- $29Bn direct-to-consumer deposits
- $13Bn personal loans and private student loans
- $2.5Bn home loan originations
- Home equity installment loans

Consumer Strategic Shift

Today: "My favorite credit card"
Near Term: “My favorite provider of credit cards and other financial services”
Ultimately: "My bank"

Note(s): Balances as of September 30, 2014; direct mortgage originations and pre-tax profit based on the trailing four quarters ending 3Q14
Today - uncharted environment

U.S. Deposit Growth vs. Fed Funds Rate

Discover Milestones:

- DFS Spin
- $13Bn DTC\(^{(1)}\)
- $28Bn DTC\(^{(1)}\)

Source: Federal Reserve Board Flow of Funds and Fed Funds rate reported annually

Note(s):
1. Direct-to-consumer deposits (DTC); see Notice for complete definition
Deposits strategy – Great service and good pricing

- Segment: Savvy, value-oriented consumers

- Value Proposition
  - Outstanding service and convenience
  - Consistently good rates

- Execution Path
  - Expand product breadth with distinctive offerings over time
  - Enhance product features and functionality
  - Integrate brands across platforms to drive cross-sell
Preference for direct channels has grown among consumers

Preferred Banking Channel

<table>
<thead>
<tr>
<th>Preference</th>
<th>2008</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch</td>
<td>34%</td>
<td>21%</td>
</tr>
<tr>
<td>Mail</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>ATM</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Mobile</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>NA</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Mail, 6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone, 7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATM, 14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile, 10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet, 31%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA, 11%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2013 Efficiency Ratio

<table>
<thead>
<tr>
<th>Source: American Bankers Association Survey 2014</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Discover</th>
<th>Large Banks (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>39%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Note(s):
1. Total operating expenses divided by revenue net of interest expense
2. Bank holding companies participating in the 2014 Comprehensive Capital Analysis and Review (CCAR); excludes Discover
Funding asset growth with deposits

Direct-to-Consumer Deposits ($Bn)\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>3Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$3</td>
<td>$7</td>
<td>$13</td>
<td>$21</td>
<td>$27</td>
<td>$28</td>
<td>$28</td>
<td>$29</td>
</tr>
</tbody>
</table>

Funding Mix

Spin (6/30/07)
- Senior Bank Notes: 59%
- ABS and Other: 28%
- Brokered Deposits: 5%
- Direct Deposits: 1%

3Q14
- Senior Bank Notes: 35%
- ABS and Other: 25%
- Brokered Deposits: 4%
- Direct Deposits: 43%

Note(s):
1. Includes affinity deposits
Pricing to balance growth and stability of book

Discover Savings Rate vs. Top Direct Bank Rates

Source: Internal data & Informa Research Services

Note(s):
1. Data set through August 2014; Top Direct Bank Rates reflects monthly average of top three rates posted online weekly by banks without a traditional branch network
Optimizing product mix to manage rate sensitivity

<table>
<thead>
<tr>
<th>Year</th>
<th>Indeterminate Balances as a % of Deposits Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>48%</td>
</tr>
<tr>
<td>2012</td>
<td>49%</td>
</tr>
<tr>
<td>2013</td>
<td>54%</td>
</tr>
<tr>
<td>2014</td>
<td>57%</td>
</tr>
</tbody>
</table>

Note(s):
1. Indeterminate Balances defined as savings and money market balances
2. Competitor Rates reflects monthly average of rates posted online by peer banks, which include banks without a traditional branch network
3. 2014 YTD is as of 9/30/2014
Optimizing customer mix to manage rate sensitivity

Deposits from Card or Affinity Customers (% of Total)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 YTD(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>54%</td>
<td>56%</td>
<td>60%</td>
<td>62%</td>
</tr>
</tbody>
</table>

New Deposit Accounts Opened by Card or Affinity Customers (% of Total)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 YTD(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>66%</td>
<td>69%</td>
<td>78%</td>
<td>84%</td>
</tr>
</tbody>
</table>

Note(s):
1. 2014 YTD is as of 9/30/2014
Positive trends in depositor behavior

CD Retention Rates\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2014 YTD(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD Rate</td>
<td>78%</td>
<td>82%</td>
</tr>
</tbody>
</table>

DTC Balances by Life of Relationship

<table>
<thead>
<tr>
<th>Year</th>
<th>$21Bn</th>
<th>$29Bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 Years</td>
<td>9%</td>
<td>23%</td>
</tr>
<tr>
<td>2 to 4 Years</td>
<td>16%</td>
<td>33%</td>
</tr>
<tr>
<td>Over 4 Years</td>
<td>75%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Note(s):
1. CD retention rates based on direct-to-consumer CDs; excludes brokered CDs
2. 2014 YTD is as of 9/30/2014
Our beta will be higher than a “traditional” bank but not “1”

DFS vs. Traditional Bank

• Similar to “traditional” bank, strong synergy between right and left hand side of balance sheet
  – 62% of current accounts have a loan product relationship with DFS
  – 78% of new accounts have a loan product relationship with DFS

• Different from “traditional” bank…
  – Checking deposits are still relatively small (<1% of DFS funding)
  – Funding stack relies on ABS, DTC and Brokered Deposits

Illustrative Betas\(^{(1)}\)

Note(s):
1. Defined as the ratio of expected change in deposit pricing relative to Fed increases in short term interest rates
Establish core banking presence and lower long term cost of funds with 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

**Note(s):** Checking product currently limited to existing deposit and card customers; Broad market launch expected in 2015
Strong digital presence with great customer service is key
Summary

• Utilizing all current funding channels

• Focusing on funding that is favorable in terms of cost, beta, liquidity and term

• Committed to DTC funding channel as a large percentage of funding mix

• Focusing on product mix and customer retention to prepare for rising rate environment