



Barclays 2014 Global Financial Services Conference

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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 December 31, 2013 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014, which are available on the Company's website and the SEC's website. The Company does not undertake to update or revise forward-looking statements as more information becomes available.

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Executive summary

- Gaining profitable card market share through a loyal customer base, a new flagship product, cash rewards leadership and superior customer service
- Growing student and personal loans while expanding other direct banking products beyond the existing customer base
- Leveraging payments assets to support card and other direct banking products, in addition to partnering to build volume and acceptance over the long-term
- Driving superior returns and creating shareholder value through effective capital management

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.
- Key Investments:
 - Rewards Program
 - Customer Service
 - Mobile
 - New Banking Platform

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



U.S. Card Issuing

- \$53Bn in card receivables
- Leading cash rewards program
- 1 in 4 U.S. households

DISCOVER® Deposits and Lending

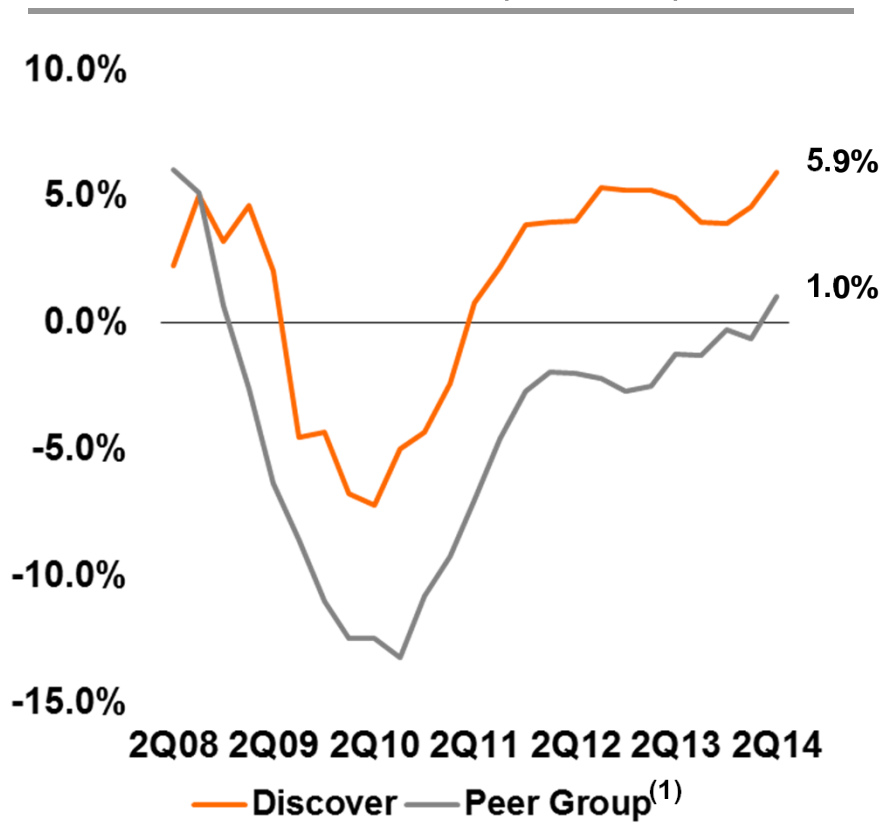
- \$29Bn direct-to-consumer deposits
- \$13Bn personal loans and private student loans
- \$2.5Bn home loan originations
- Home equity installment loans
- Cashback checking

Note(s): Balances as of June 30, 2014; direct mortgage originations and pre-tax profit based on the trailing four quarters ending 2Q14; direct-to-consumer deposits includes affinity deposits

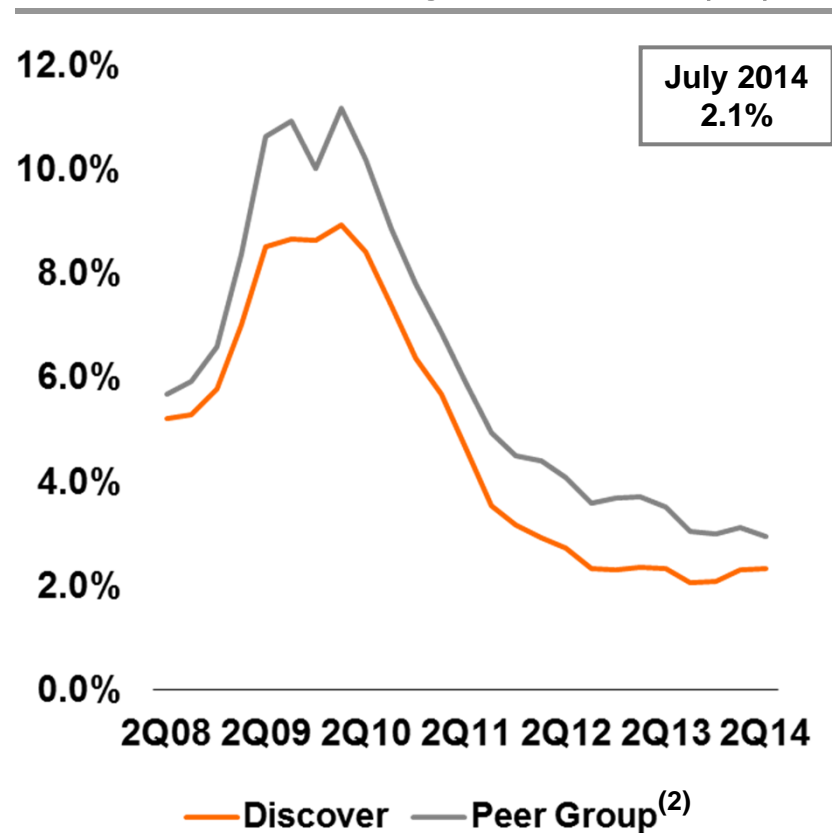
U.S. Card –

Driving better loan growth and credit performance

Card Loans (%YOY)



Card Net Charge-off Rate (%)



July 2014
2.1%

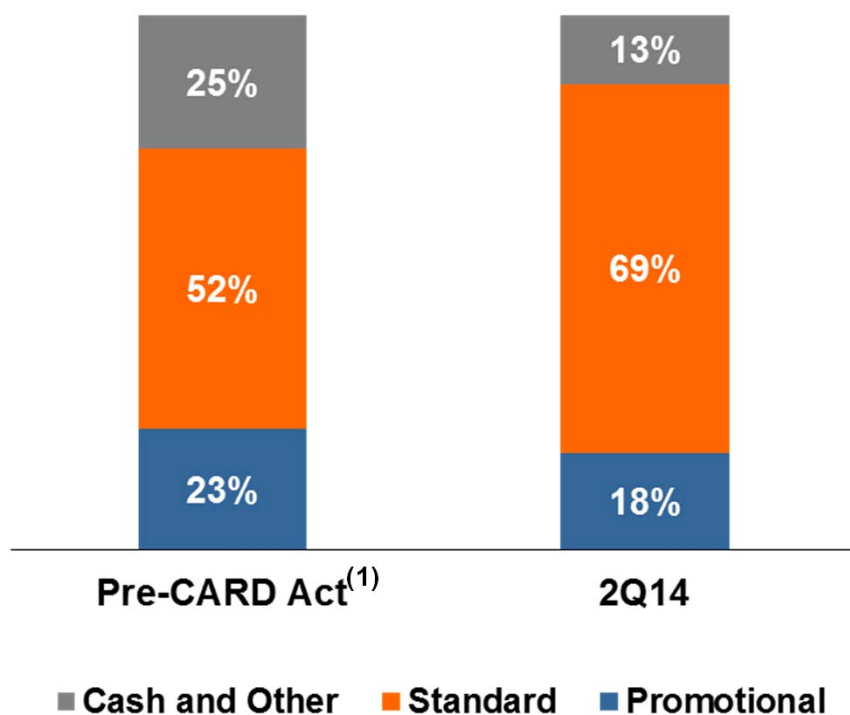
Source: SEC filings, calendar year data, internal estimates

Note(s):

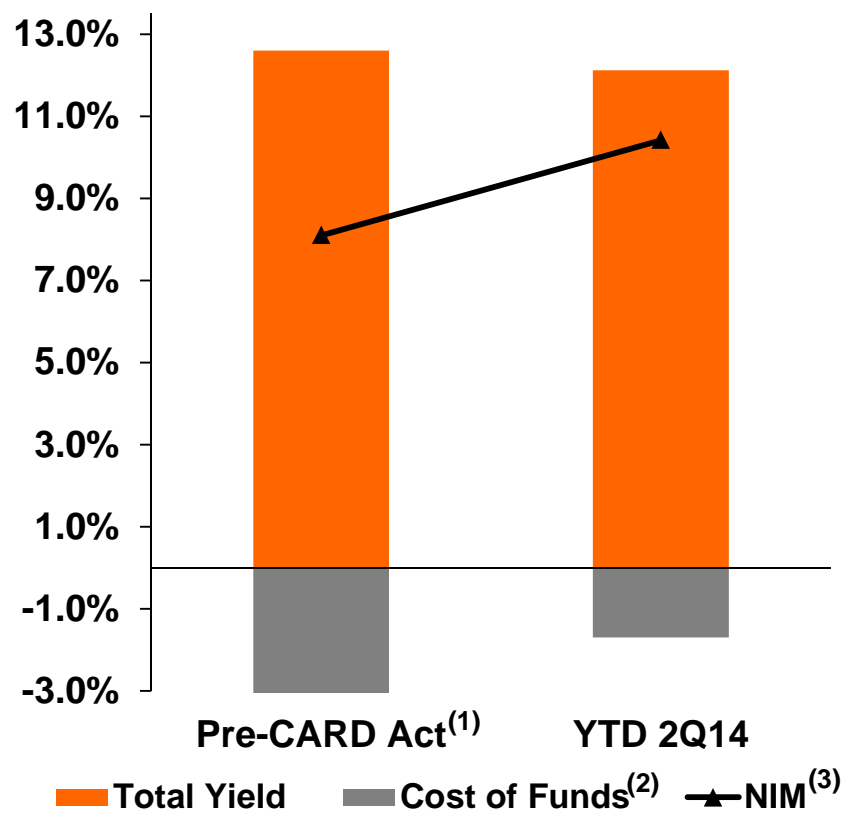
1. Includes weighted average card receivables growth for American Express (U.S. Card), Bank of America (U.S. Card), Capital One (U.S. Card excl. HSBC for 2Q12-1Q13 and installment loans), Citi (Citi-branded Cards N.A.), Wells Fargo (Consumer Credit Card Portfolio), and JPMorgan Chase (Card Services); periods prior to 3Q08 adjusted to include estimated Washington Mutual receivables
2. Weighted average rate; includes U.S. card net charge-off rates for Citi (Citi-branded Cards N.A.), JPMorgan Chase (Card Services), Capital One (U.S. Card), American Express (U.S. Card) and Bank of America (U.S. Card)

Strong growth in standard balances and funding cost improvement offsetting modest yield compression

Card Loan Mix by APR (%)



Card Net Interest Margin (%)

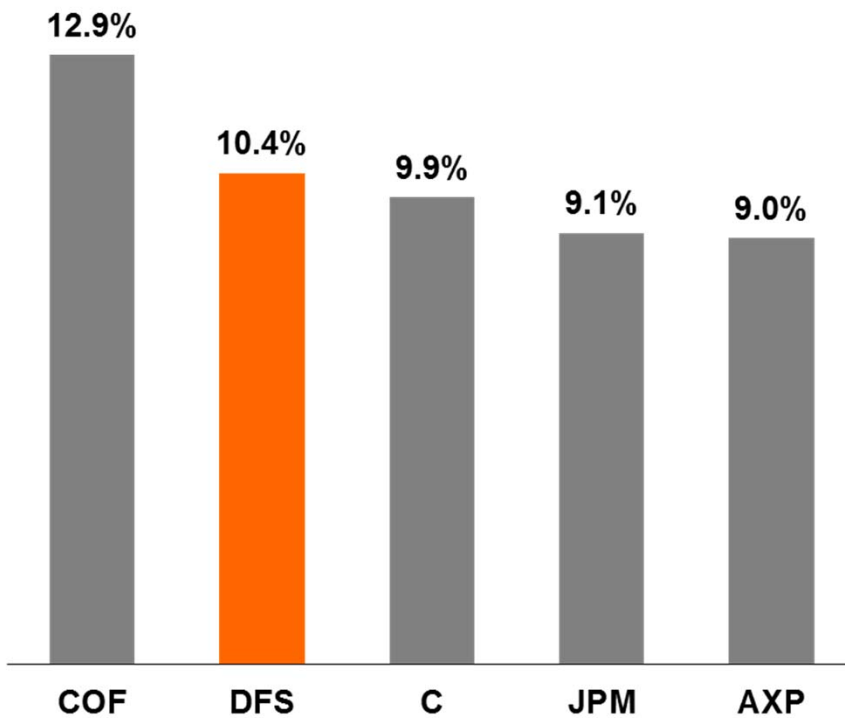


Note(s):

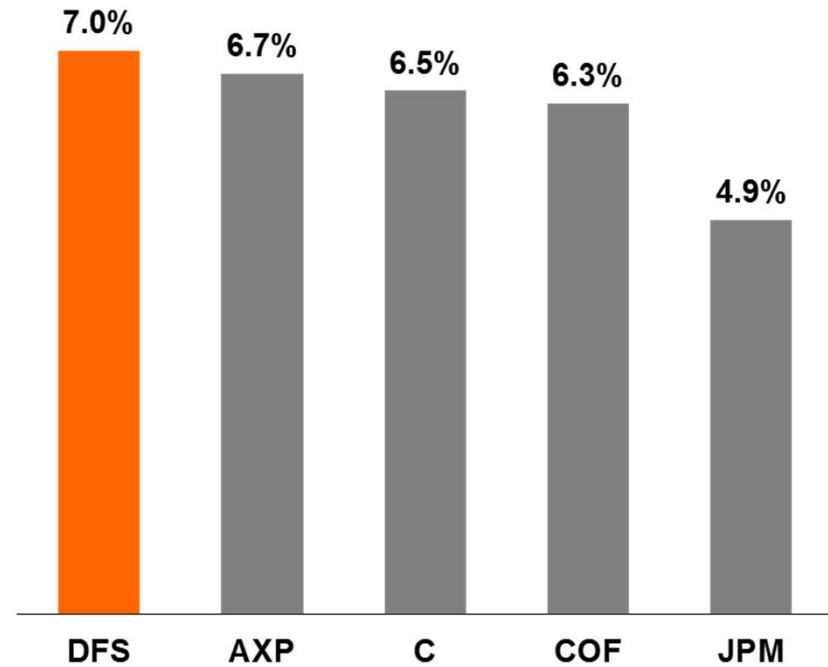
1. Pre-CARD Act reflects an average of 2006-2008 inclusive
2. Total company interest expense divided by total company average receivables
3. Discover card net interest margin represents credit card interest yield less total company average funding cost (total company interest expense divided by total company average receivables)

Achieving industry leading returns

2014 YTD U.S. Card Issuers
Net Interest Margin (NIM)^(1,2)



2014 YTD U.S. Card Issuers
Pre-tax, Pre-Reserve ROA^(1,3)



Source: Public company data; Discover

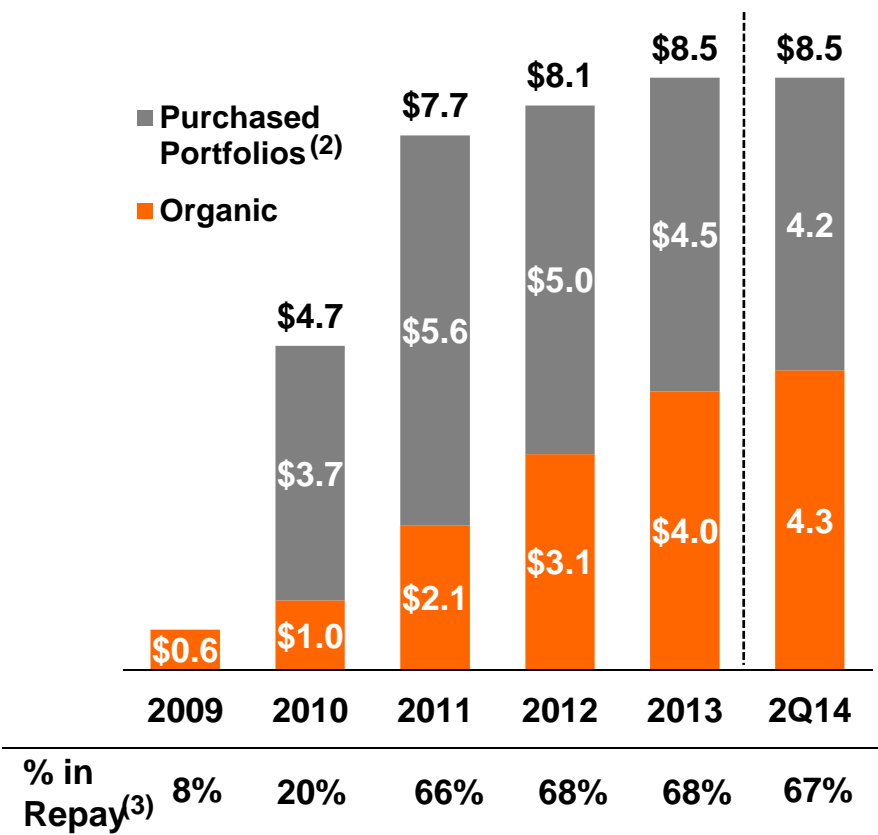
Note(s):

1. American Express (U.S. Card), Capital One (U.S. Card adjusted for estimated impact of Best Buy portfolio sale), Citi (Citi-branded Cards N.A. based on segment tax rate) and JPMorgan Chase (Card Services)
2. Capital One, Citi, and JPMorgan Chase net interest margins include late fees, whereas American Express and Discover exclude late fees; Discover card net interest margin represents credit card interest yield less total company average funding cost (total company interest expense / total company average receivables)
3. Pre-tax income excluding the impact of changes in loan loss reserves divided by average card receivables, which is a non-GAAP measure; see appendix for Discover GAAP reconciliation

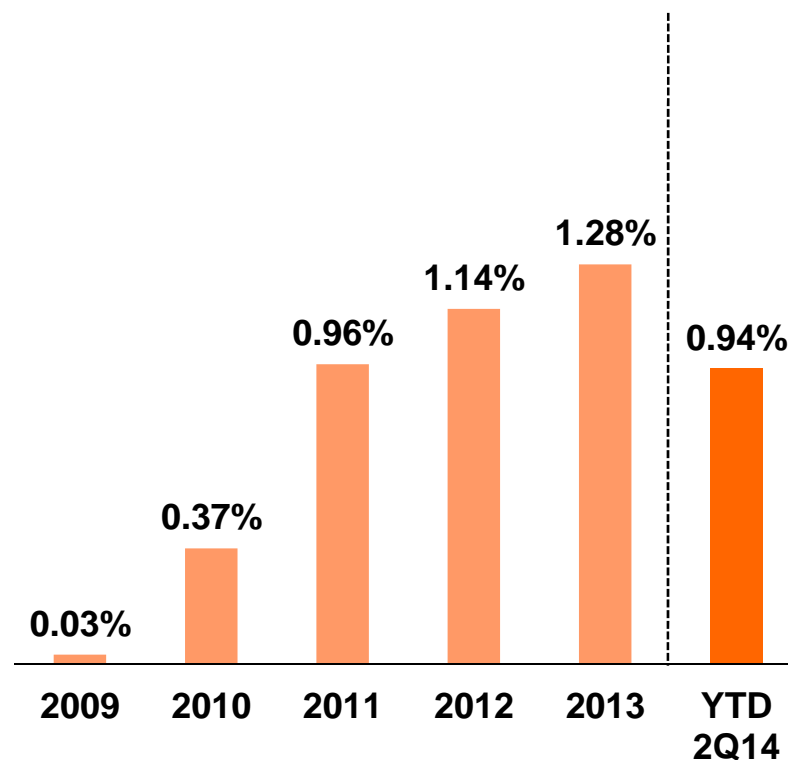
Private Student Loans –

Strong organic growth with disciplined underwriting

Student Loan Receivables (\$Bn)⁽¹⁾



Total Contractual Net Charge Off Rate⁽⁴⁾



Note(s):

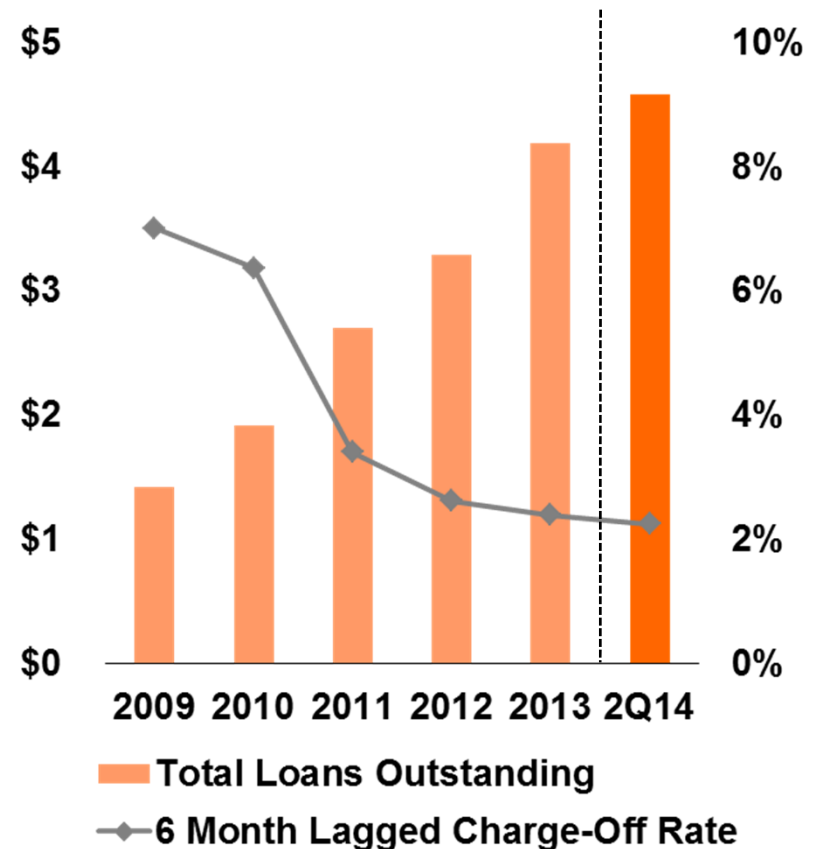
1. Contractual receivables is a non-GAAP measure; amounts represent year-end/quarter-end balances, see appendix for reconciliation
2. Includes CitiAssist branded originated loans for 2011 and 2012
3. Based on contractual loan data; includes loans in forbearance
4. Defined as net losses to average managed contractual receivables which is a non-GAAP measure for DFS; see appendix for reconciliation

Personal Loans - Driving disciplined profitable growth

Overview

- Superior alternative for consolidating debt
- Typical installment loan characteristics:
 - 3-5 year term
 - 300-400bps rate reduction
- Average FICO of ~750
- ~60% of portfolio has another Discover relationship

Personal Loans (\$Bn)

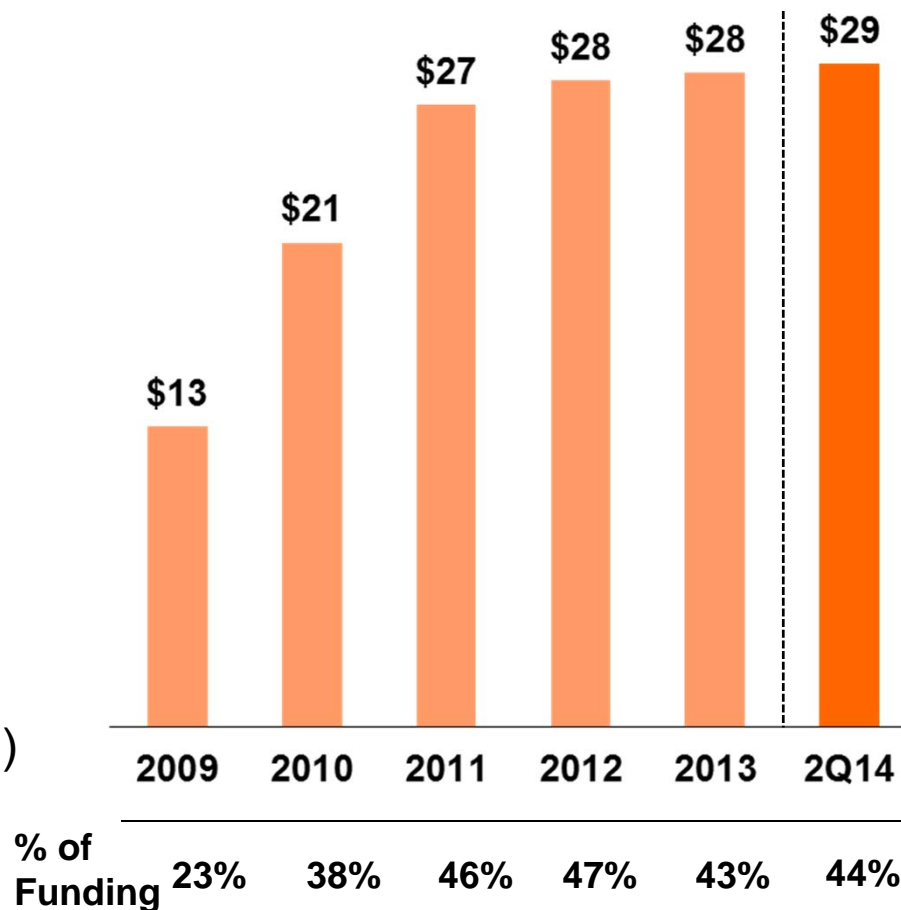


Direct-to-Consumer Deposits - Funding asset growth with deposits

Overview

- Developed robust source of funding through direct-to-consumer deposits
- Shifting marketing mix toward indeterminate maturity products
- Launched Cashback Checking
 - No monthly service fees or minimum balance
 - Mobile check deposit & online bill pay
 - Free access to 60,000+ ATMs
 - Cashback on everyday transactions (debit, bill pay, checks)

Direct-to-Consumer Deposits (\$Bn)⁽¹⁾



Note(s):
1. Includes affinity deposits

Payments -

Increasing domestic and global acceptance

Payments Strategy

- Our networks offer our direct bank a unique platform for growth and differentiation
- Discover to become the leading payments partner by leveraging our capabilities, flexibility, and non-traditional alliances to grow global acceptance and volume
- Key Investments:
 - EMV
 - Tokenization
 - Emerging Payments
 - Global Network

Payment Services Segment (3% of DFS Pre-Tax Profit)



- \$163Bn volume
- 4,000 issuers



- \$27Bn volume
- 80 licensees
- 185+ countries / territories



Network Partners

- \$10Bn volume
- 30+ issuers

Note(s): Volume and pre-tax profit based on the trailing four quarters ending 2Q14

Financial Results - 2Q14 Summary financial results

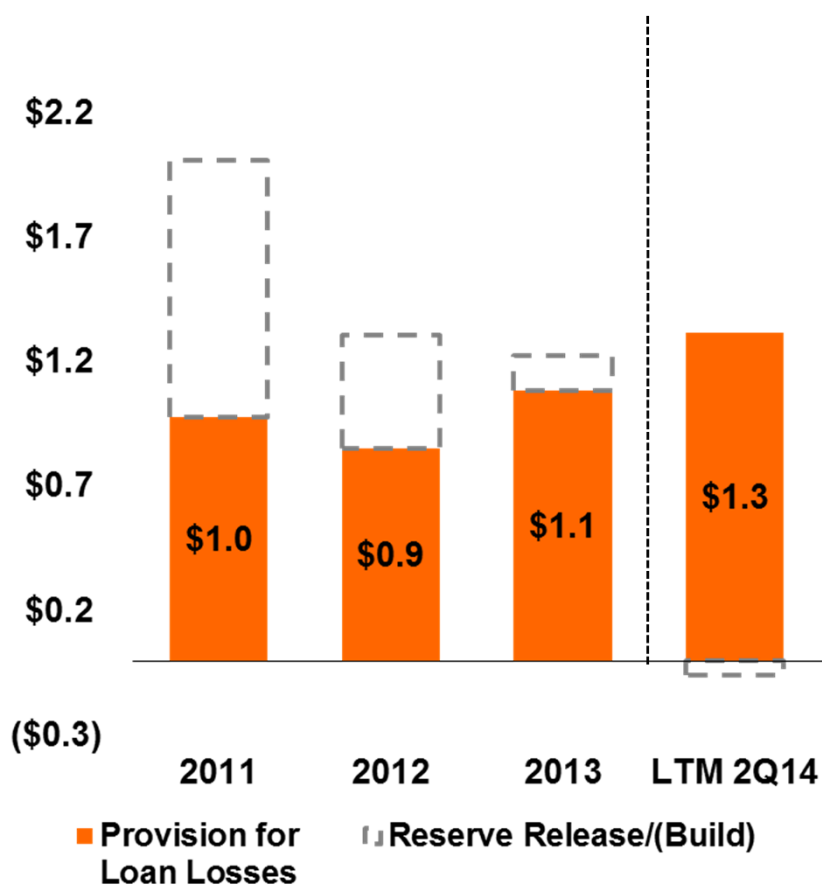
(\$MM, except per share data)	2Q14	2Q13	B / (W)	
			\$ Δ	% Δ
Revenue Net of Interest Expense	\$2,172	\$2,041	\$131	6%
Provision for Loan Losses	360	240	(120)	(50%)
Operating Expense ⁽¹⁾	797	820	23	3%
Direct Banking	984	1,002	(18)	(2%)
Payment Services	31	(21)	52	NM
Total Pre-Tax Income	1,015	981	34	3%
Pre-Tax, Pre-Provision Income⁽²⁾	1,375	1,221	154	13%
Income Tax Expense	371	379	8	2%
Net Income (Loss)	\$644	\$602	\$42	7%
Diluted EPS	\$1.35	\$1.20	\$0.15	13%
ROE	23%	23%		

Note(s):

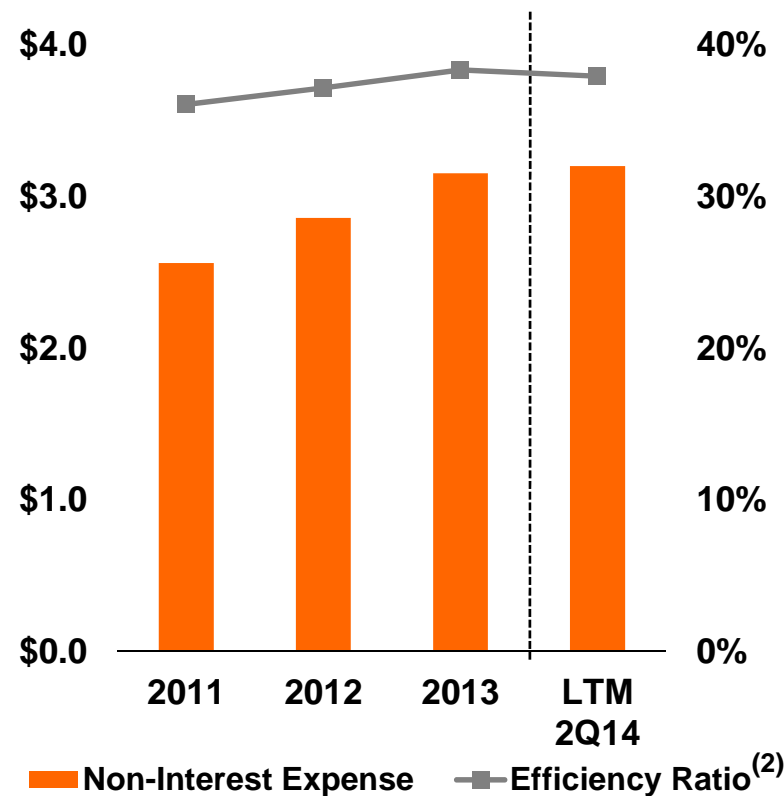
- 2Q13 operating expense includes \$40 million of charges related to Diners Europe
- Pre-tax, pre-provision income, which is derived by adding provision for loan losses to pre-tax income, is a non-GAAP financial measure which should be viewed in addition to, and not as a substitute for, the company's reported results. Management believes this information helps investors understand the effect of provision for loan losses on reported results and provides an alternate presentation of the company's performance; see appendix for reconciliation

Benefiting from low provisions and controlling expense growth

Provision for Loan Losses (\$Bn)



Total Expense (\$Bn)⁽¹⁾

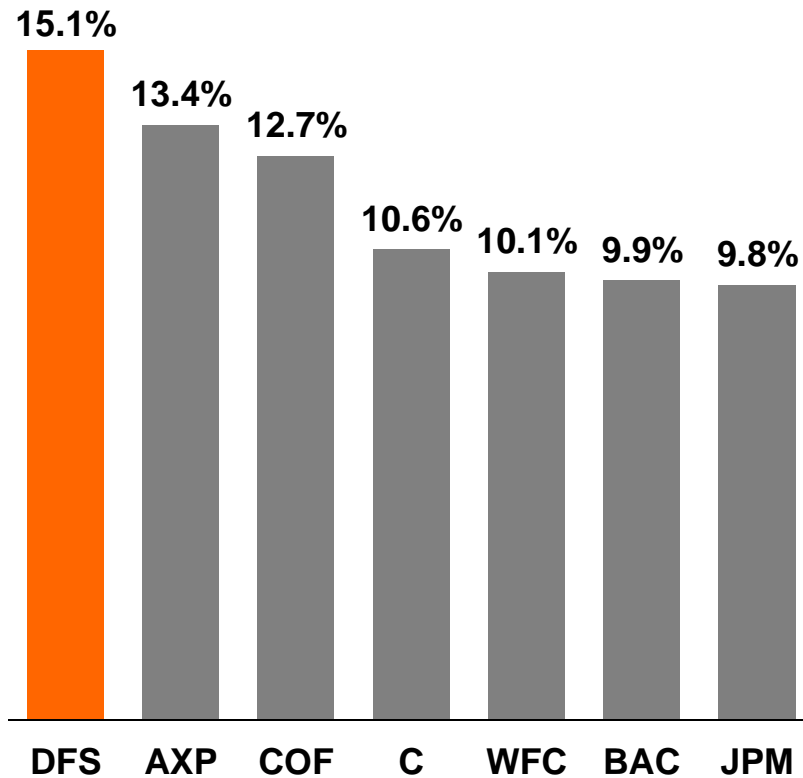


Note(s):

- 2012 adjusted for \$216 million in legal expenses associated primarily with the CFPB and FDIC consent order; 2013 adjusted for \$40 million of charges related to Diners Europe
- Defined as reported noninterest expense divided by total revenue (net interest income and noninterest income)

Driving superior returns on strong capital base

Estimated 2Q14 Basel III Common Equity Tier 1 Ratio⁽¹⁾

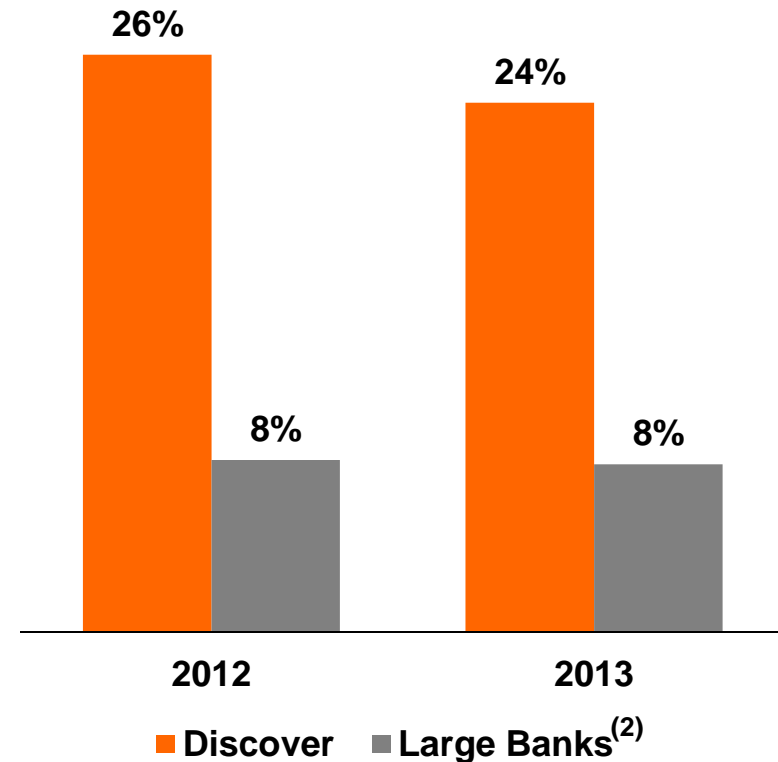


Source: Company filings, DFS internal estimates

Note(s):

1. Common equity tier 1 (a non-GAAP measure; see appendix for reconciliation) as a percent of risk-weighted assets under Basel III; DFS is estimated fully phased in Basel III
2. Bank holding companies participating in the 2014 Comprehensive Capital Analysis and Review (CCAR); excludes Ally Financial and Santander Holdings USA due to limited information; excludes Discover

Return on Equity (%)



Source: SNL, regulatory reports

Appendix

Reconciliation of GAAP to Non-GAAP data

(unaudited)	6 Months Ended 6/30/14
Card Pretax Return on Assets	7.2%
Card Reserve Changes	(0.2%)
Card Pretax Return on Assets (Excluding Reserve Changes) ⁽¹⁾	7.0%

(unaudited, \$ in billions, calendar year data)	12/31/10	12/31/11	12/31/12	12/31/13	6/30/14
GAAP Recorded Balance Purchased (Private) Credit Impaired Student Loans (ending loans)	\$3.1	\$5.2	\$4.7	\$4.2	\$3.9
Adjustment for Purchase Accounting	0.6	0.4	0.3	0.3	0.3
Contractual Value Purchased (Private) Credit Impaired Student Loans (ending loans) ⁽²⁾	\$3.7	\$5.6	\$5.0	\$4.5	\$4.2
GAAP Private Student Loans (ending loans)	1.0	2.1	3.1	4.0	4.3
Contractual Value Private Student Loans (ending loans) ⁽²⁾	\$4.7	\$7.7	\$8.1	\$8.5	\$8.5

(unaudited, \$ in billions, calendar year data)	12/31/10	12/31/11	12/31/12	12/31/13	6/30/14
GAAP Recorded Balance Purchased (Private) Credit Impaired Student Loans (average loans)	\$0.0	\$3.5	\$5.0	\$4.4	\$4.0
Adjustment for Purchase Accounting	0.0	0.5	0.4	0.3	0.3
Contractual Value Purchased (Private) Credit Impaired Student Loans (average loans) ⁽²⁾	\$0.0	\$4.1	\$5.4	\$4.7	\$4.3
GAAP Private Student Loans (average loans)	0.9	1.7	2.6	3.6	4.3
Contractual Value Private Student Loans (average loans) ⁽²⁾	\$0.9	\$5.8	\$8.0	\$8.3	\$8.6

(unaudited, \$ in millions, calendar year data)	12/31/10	12/31/11	12/31/12	12/31/13	6/30/14
GAAP Private Student Loan Net Principal Charge-offs	\$3.3	\$8.1	\$19.8	\$46.1	\$27.8
Adjustment for Purchased (Private) Credit Impaired Student Loans Net Principal Charge-offs	-	47.5	70.8	60.1	12.5
Contractual Private Student Loan Net Principal Charge-offs ⁽³⁾	\$3.3	\$55.6	\$90.6	\$106.2	\$40.3
Contractual Net Charge-off Rate	0.37%	0.96%	1.14%	1.28%	0.94%

Note(s):

1. 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.

2. 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.

3. Contractual private student loan net principal charge-offs is a non-GAAP measure and include net charge-offs on purchased 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.

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

(unaudited, \$ in millions)	Quarter Ended	
	6/30/14	6/30/13
Provision for loan losses	\$360	\$240
Income before income taxes	1,015	981
Pre-tax, pre-provision income ⁽¹⁾	<u>\$1,375</u>	<u>\$1,221</u>

(unaudited, \$ in millions)	6/30/14
Common Equity Tier 1 Capital Reconciliation	
GAAP total common equity	\$10,821
Effect of certain items in accumulated other comprehensive income (loss) excluded from tier 1 common equity	73
Less: ineligible goodwill and intangible assets	(439)
Estimated total common equity tier 1 ⁽²⁾⁽³⁾	<u>\$10,455</u>
Estimated risk weighted assets ⁽³⁾	\$69,104
Estimated common equity tier 1 ratio ⁽³⁾⁽⁴⁾	15.1%

Note(s):

1. Pre-tax, pre-provision income, which is derived by adding provision for loan losses to pre-tax income, is a non-GAAP financial measure which should be viewed in addition to, and not as a substitute for, the company's reported results. Management believes this information helps investors understand the effect of provision for loan losses on reported results and provides an alternate presentation of the company's performance
2. Common equity tier 1, a non-GAAP financial measure, represents common equity and the effect of certain items in accumulated other comprehensive income (loss) excluded from common equity tier 1, less goodwill and intangibles. A reconciliation of common equity tier 1 to common equity, a GAAP financial measure, is shown above. Other financial services companies may also use common equity tier 1 and definitions may vary, so we advise users of this information to exercise caution in comparing common equity tier 1 of different companies. Common equity tier 1 is included to support the common equity tier 1 ratio which is meaningful to investors to assess the quality and composition of the Company's capital
3. Calculations based on fully phased in Basel III
4. Common equity tier 1 ratio is calculated using total common equity tier 1, a non-GAAP measure, divided by risk weighted assets