2014 Goldman Sachs U.S. Financial Services Conference

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Executive summary

• Positioning to be the leading direct bank and payments partner

• Achieving higher returns through direct banking strategy

• Driving better card loan growth with disciplined credit risk

• Additional topics of interest:
  − Enhancing cardmember security
  − Extending funding duration to partially mitigate the impact of rising rates
  − Dedicating significant resources to regulatory and compliance initiatives
Company Overview - Positioning to be leading direct bank and payments partner

Discover Consumer Lending & Banking

• $4.8Bn personal loans
  - $2.8Bn in originations
  - 1.9% net charge-off rate

• $8.5Bn private student loans
  - $1.2Bn in originations
  - 1.1% net charge-off rate (excl. PCI loans)

• $29Bn direct-to-consumer deposits
  - 43% of funding
  - 62% of accounts have a loan product relationship with DFS
  - >100k Cashback Checking accounts

Payments

• $319Bn volume (incl. proprietary cards)
• 30MM+ acceptance locations globally
• $140MM+ in merchant funded rewards annually

Discover Card

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

Note(s)
Balances as of 9/30/14; net charge-off rates as of 3Q14; originations and volumes based on the trailing four quarters ending 3Q14; direct-to-consumer deposits includes affinity deposits
Company Overview -
Driving faster loan growth, better efficiencies and returns

<table>
<thead>
<tr>
<th>2009-2013 CAGR Total Loan Growth (%)</th>
<th>2009-2013 Average Efficiency Ratio(1)</th>
<th>2009-2013 Average Return on Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discover</td>
<td>Large Banks(^{(2)})</td>
<td>Discover(^{(3)})</td>
</tr>
<tr>
<td>6%</td>
<td>3%</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>37%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: SNL, regulatory reports; Discover

Note(s):
1. Defined as total operating expense divided by revenue net of interest expense
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
3. 2009 adjusted to exclude $1.4 billion ($0.9 billion after taxes) Visa and MasterCard settlement
Company Overview – Recognized industry leader

#1 or tied for #1 18 years in a row

“Highest in Customer Satisfaction with Credit Card Companies - Tied in 2014”\(^{(1)}\)

Note(s)
1. Discover received the highest numerical score among credit card issuers in a tie in the proprietary J.D. Power 2014 Credit Card Satisfaction Study\(^{SM}\). Study based on responses from 19,913 consumers measuring 11 card issuers and measures opinions of consumers about the issuer of their primary credit card. Proprietary study results are based on experiences and perceptions of consumers surveyed in September 2013-May 2014. Your experiences may vary. Visit jdpower.com
Card –
Driving better loan growth and credit performance

Card Loans (%Y0Y)

<table>
<thead>
<tr>
<th>Year</th>
<th>Discover</th>
<th>Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q08</td>
<td>-15.0%</td>
<td>-15.0%</td>
</tr>
<tr>
<td>3Q09</td>
<td>-10.0%</td>
<td>-10.0%</td>
</tr>
<tr>
<td>3Q10</td>
<td>-5.0%</td>
<td>-5.0%</td>
</tr>
<tr>
<td>3Q11</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>3Q12</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>3Q13</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>3Q14</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
</tbody>
</table>

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)
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)
Card -
Provisioning will be driven by loan growth

% of Card Portfolio on Book for <3 Years

2010-2013 Card Vintage Gross Loss Rate\(^{(1)}\)

Note(s)
1. 2010 to 2013 blended vintage 6-month moving average gross principal charge-off rate (excludes recoveries)
Card –
Making cash rewards easier

• Redemption experience is as important to a customer as earn rate

• Removed redemption threshold to use rewards and eliminated forfeiture(1)
  − Resulted in one-time charge of approximately $178MM in 4Q14 and manageable ongoing impact of <5 bps expected annually
  − Delivering on brand promise: “We treat you like you’d treat you”

• Continue to target features and benefits that increase loyalty and attract new customers

Note(s)
1. Removed redemption thresholds for statement credits, charitable contributions, and electronic deposits in bank accounts and forfeiture of rewards due to delinquency, inactivity or account closure
Investor Topics -
Continued focus on payments security

• Merchant breaches dramatically increased industry focus on payments security

• Discover is preparing for migration to EMV chip and choice (PIN or SIG) for point-of-sale and tokenization for card not present transactions in 2015

• EMV card issuance and network costs expected to be an incremental $35MM+ for 2015 but should result in some expense savings longer-term

• Discover’s multilayered approach designed to address security across all payment channels
### Investor Topics -
**NIM – less funding cost tailwind and extending duration**

<table>
<thead>
<tr>
<th>Cost of Funds&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Average Months to Liability Repricing&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0%</td>
<td>16</td>
</tr>
<tr>
<td>1.2%</td>
<td>4Q12</td>
</tr>
<tr>
<td>1.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>1.6%</td>
<td>3Q11</td>
</tr>
<tr>
<td>1.8%</td>
<td>1Q12</td>
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<td>3Q13</td>
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<td>2.6%</td>
<td>1Q14</td>
</tr>
<tr>
<td>2.8%</td>
<td>3Q14</td>
</tr>
<tr>
<td>3.0%</td>
<td>4Q14E</td>
</tr>
</tbody>
</table>

**Note(s)**
1. Rate on total interest-bearing liabilities
2. Excludes all indeterminate maturity deposits (savings and money market) and preferred stock; includes derivatives and hedging activities

**Source**
Internal estimates
Investor Topics -
NIM - Discover direct deposit betas will be less than “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, direct deposits and brokered deposits

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

Note(s)
1. Defined as the ratio of expected change in deposit pricing relative to Federal Reserve increases in short term interest rates
Investor Topics -
AML & BSA Update

• FDIC issued consent order on 6/13/14 which requires
  − Improvements in Anti-Money Laundering and Bank Secrecy Act compliance (AML & BSA) program
  − “Look Back Review” for all transactions back to 6/30/12
  − Additional staff, training and internal controls

• Federal Reserve intends to issue a supervisory action requiring enhancements to enterprise-wide AML & BSA program

• Made progress adding staff, new technology and enhanced program in 2014
  − Expect continued time and effort will be required to meet regulatory expectations
  − Limitations on certain expansionary transactions during remediation
Summary –
YTD performance against 2014 business priorities

✓ • Grow Discover card loan share while maintaining leading credit performance

✓ • Expand direct consumer banking products
  ✓ – Mortgages

✓ • Grow global network volume and acceptance
  ✓ – Third party payments

✓ • Optimize funding, cost structure and capital position

✓ • Enhance operating model, including risk management and leadership development