Bank of America Merrill Lynch
Banking and Financial Services Conference

David Nelms
Chairman &
Chief Executive Officer

November 10, 2009

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.

The information provided herein may include certain non-GAAP financial measures. The reconciliations of such measures to the comparable GAAP figures are included in the Company's Current Report on Form 8-K dated September 17, 2009, Quarterly Report on Form 10-Q for the quarter ended August 31, 2009 and Annual Report on Form 10-K for the year ended November 30, 2008, which are on file with the SEC and available on the Company's website at www.discoverfinancial.com. Certain reconciliations are also included at the end of this presentation.

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, 2008, and "Risk Factors" 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 February 28, 2009, May 31, 2009 and August 31, 2009, which are on file with the SEC.

Certain historical financial information about the Company that we have included in this presentation has been derived from Morgan Stanley's consolidated financial statements and does not necessarily reflect what our financial condition, results of operations or cash flows would have been had we operated as a separate, stand-alone company during the periods presented.

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Company Overview

DISCOVER

U.S. Card Issuing

- Leading cash rewards program
- Loyal, prime customer base
- $48Bn in managed receivables

Direct Banking

- $10Bn direct consumer deposits
- $3Bn personal and student loans

North American Signature Network

- $97Bn volume
- 30+ issuers

PIN Debit/ATM Network

- $110Bn volume
- 4,500+ issuers

International Signature Network

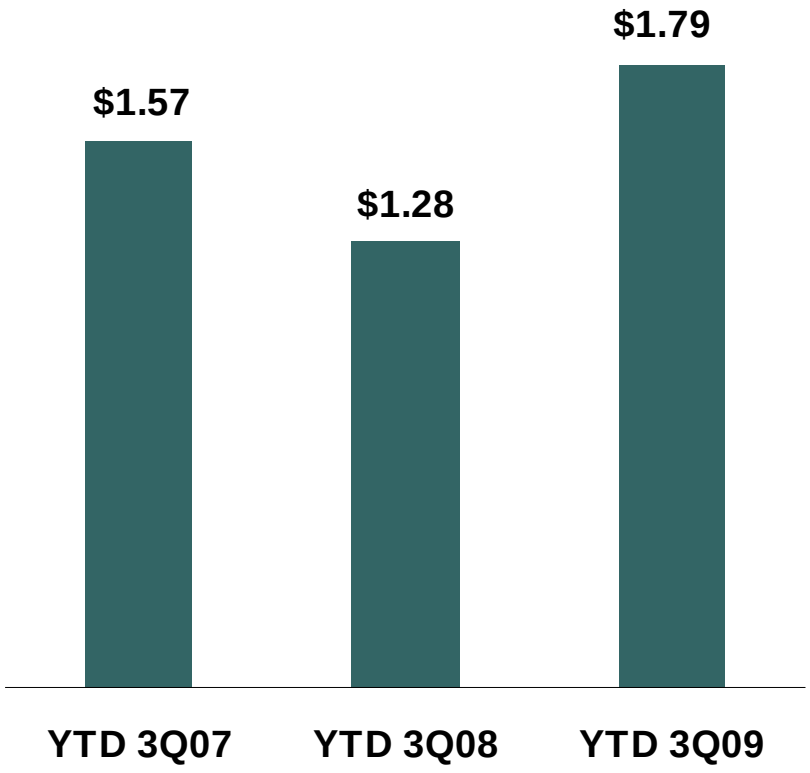
- $26Bn volume
- 49 franchises
- 185 countries/territories

Note(s):

Balances as of August 31, 2009; volume based on the trailing four quarters ending 3Q09; refer to appendix for reconciliation of GAAP to managed data

Financial Strength

YTD Earnings Per Share[1]



Key Statistics[2]

- Profitable year-to-date, even excluding settlement proceeds
- Managed revenue: $9Bn
- Total managed assets: $68Bn
- Market capitalization: $7.5Bn
- Total volume: $234Bn
- Total transactions: 4.3Bn
- Annual rewards payout: >$700MM

Note(s)

1. Diluted EPS from continuing operations
2. As of August 31, 2009; managed revenue, total volume and total transactions based on the trailing four quarters ending 3Q09; refer to appendix for reconciliation of GAAP to managed data

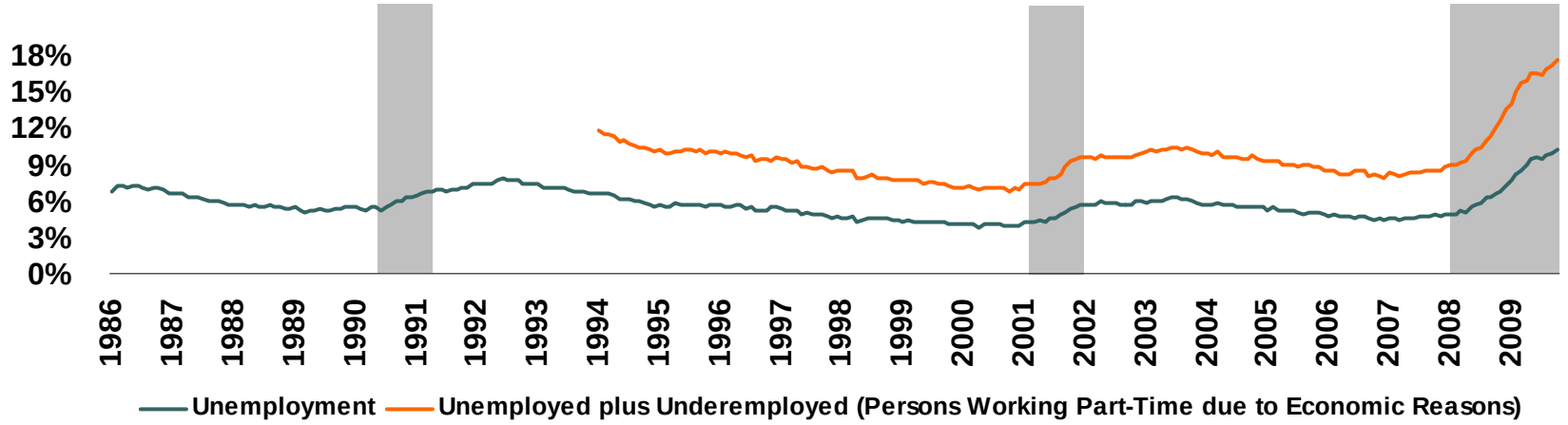
Performance Priorities – Current

Manage conservatively in a challenging environment

- Superior credit performance vs. competitors
- Conservative loan growth
- Increase net interest margin and revenues
- Reduce expenses
- Focus on capital/liquidity/funding

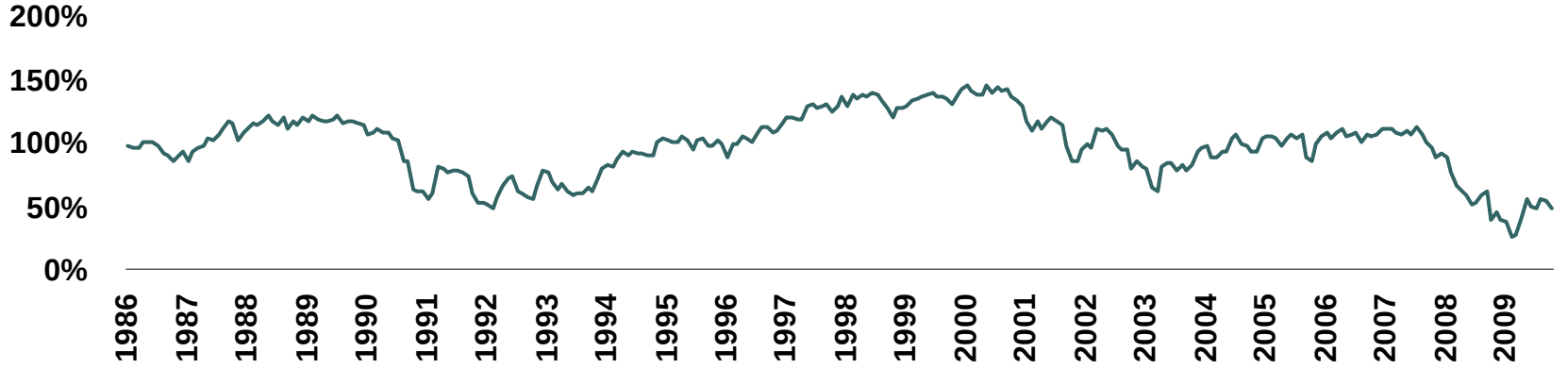
Current Environment

Unemployment and Underemployment Rates



Source Bureau of Labor Statistics; recessions shaded

Consumer Confidence

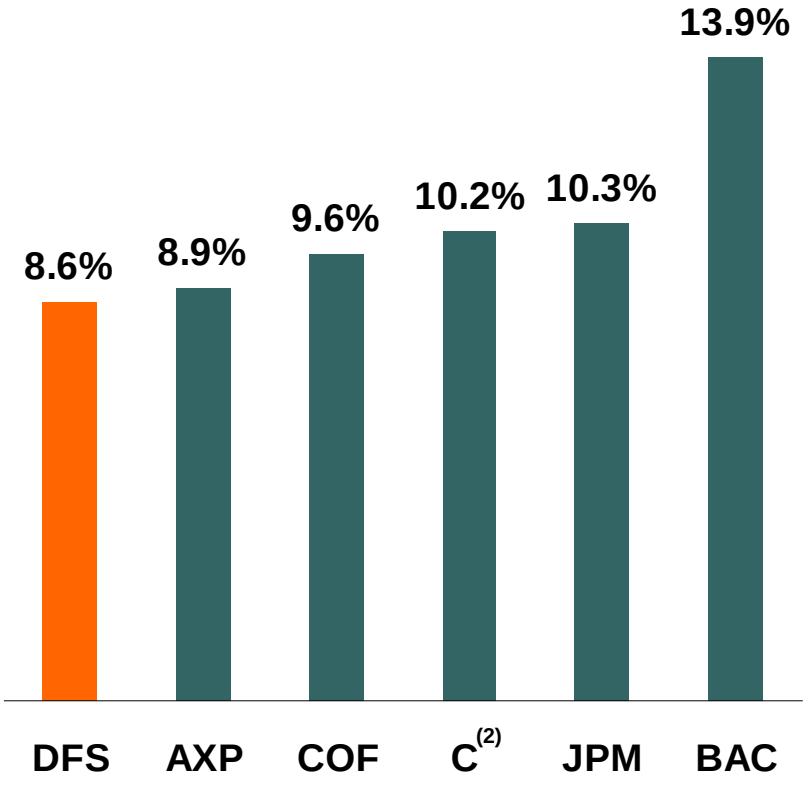


Source The Conference Board

Credit Quality Leader

Managed Net Charge-off Rate – 3Q09[1]

U.S. Credit Card Portfolio



Loss Guidance

Total Managed Portfolio

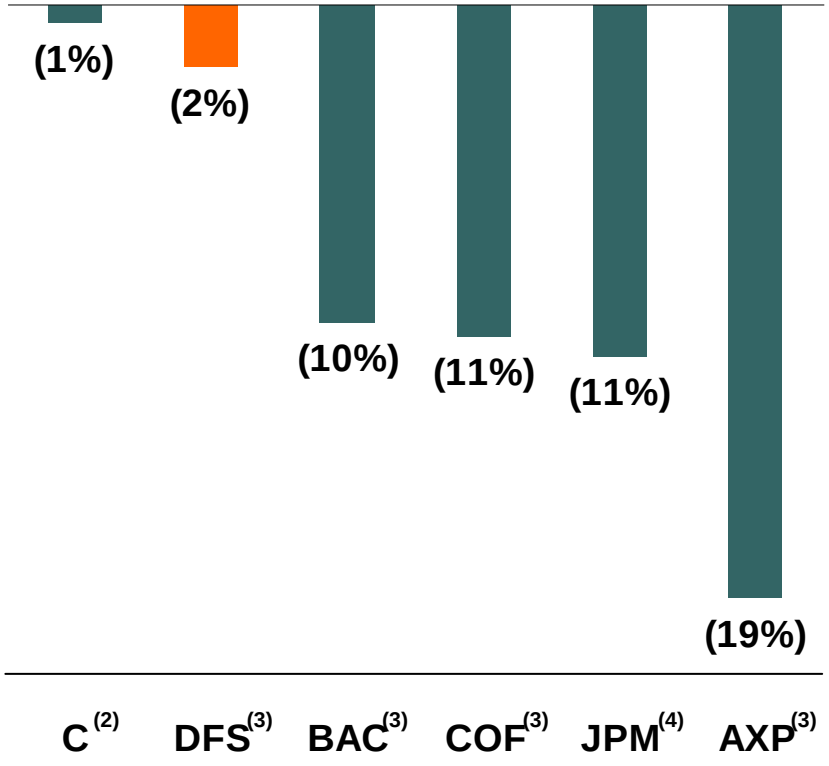
- Continue to expect 4Q09 managed net charge-off rate to be in range of 8.5-9% versus 8.4% in 3Q09
- Will continue to maintain reserves reflecting credit conditions

Source: Company Earnings Releases
Note(s)
1. Refer to appendix for reconciliation of GAAP to managed data
2. Branded NA Cards

Conservative Loan Growth

U.S. Credit Card Receivables[1]

3Q YOY % Change



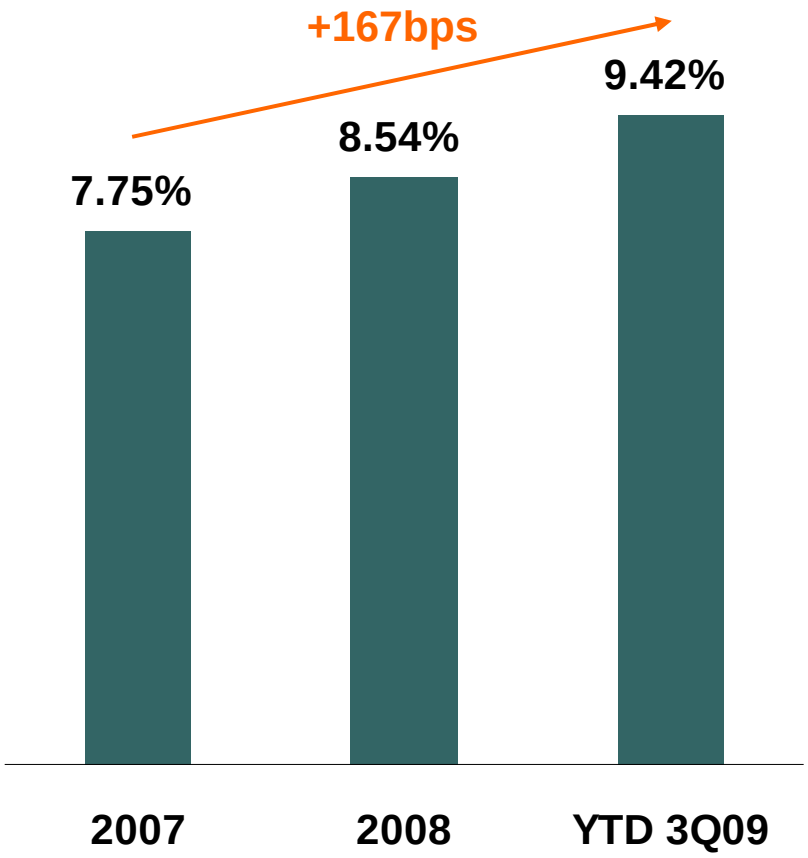
3Q09 Update

- Total managed loans were unchanged from 2Q09
  - Strong growth in student loans
- Credit card loans were down 2% from 2Q09
  - Significant reductions in balance transfers

Note(s)
1. Based on 3Q09 quarterly reports; refer to appendix for reconciliation of GAAP to managed data
2. Branded NA Cards
3. U.S. Card
4. Card Services

Margin Expansion

Managed Net Interest Margin[1]



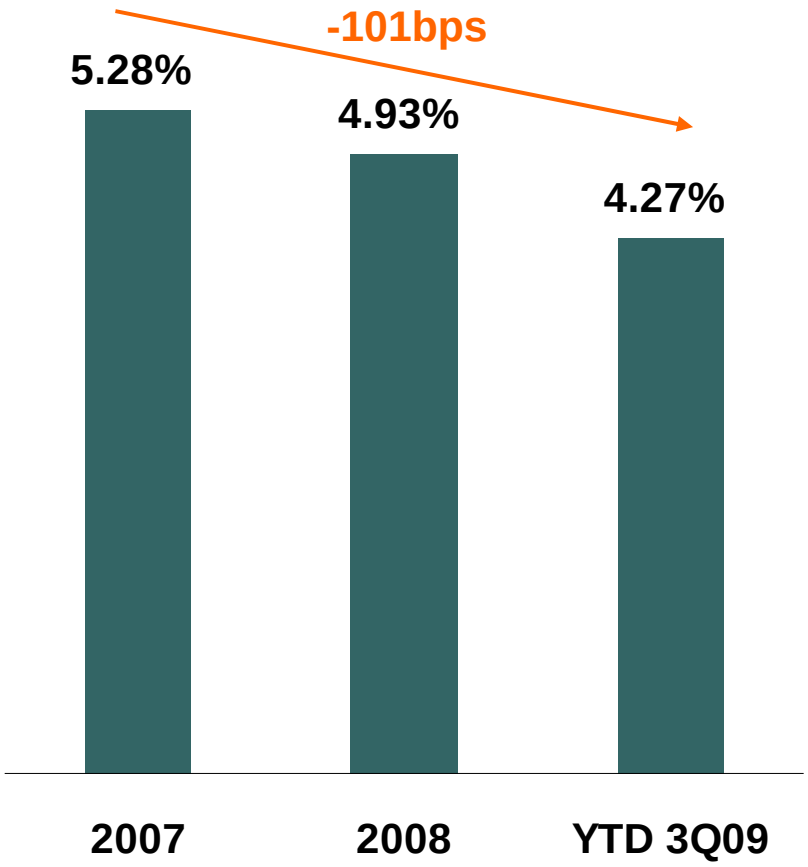
3Q09 Update

- Impact of portfolio rebalancing
- Significant reduction in promotional rates
- Cost of funds remains low

Note(s)
1. Refer to appendix for reconciliation of GAAP to managed data

Expense Management

Non-Interest Expense[1] (%)



3Q09 Update

- U.S. Card expenses down 16% YOY
- Lowest quarterly operating expense ratio in our history
- Increase in marketing spend in 4Q09

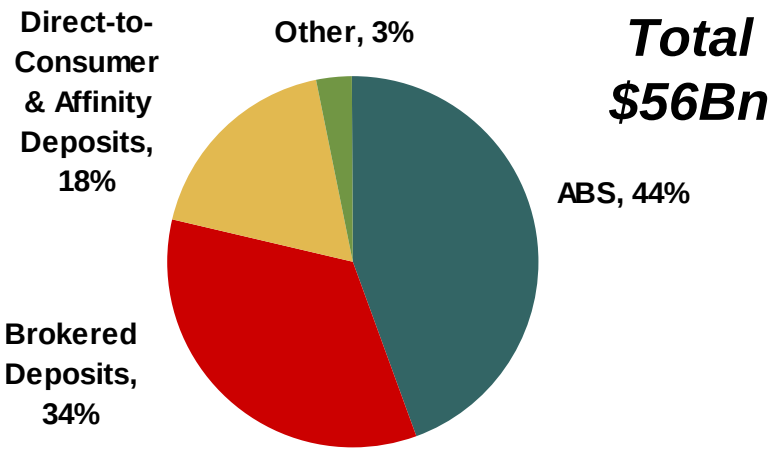
Note(s)
1. Non-interest expense as a percent of managed loans; refer to appendix for reconciliation of GAAP to managed data

Capital, Funding and Liquidity[1]

Capital Ratios

- Total capital 15.9%
- Tier 1 capital 14.6%
- TCE/TMA 10.1%
- TCE/MR 13.8%

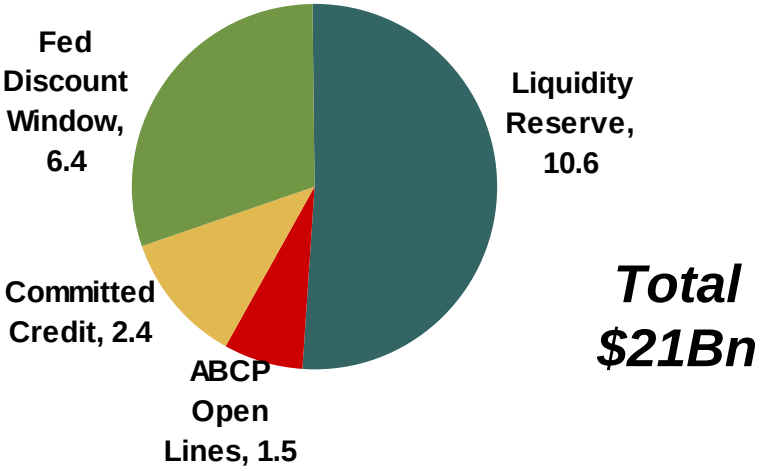
Funding Mix (%)



Recent Capital Market Transactions

- 7/09 Common Equity Raise $0.5Bn
- 7/09 DFS 10 Year Debt $0.4Bn
- 7/09 TALF ABS $1.5Bn
- 9/09 TALF ABS $1.3Bn

Contingent Liquidity ($Bn)



Note(s)
1. As of 3Q09, prior to 12/1/09 FAS 166/167 change; refer to appendix for reconciliation of GAAP to managed data

Performance Priorities – Future

Build for the future

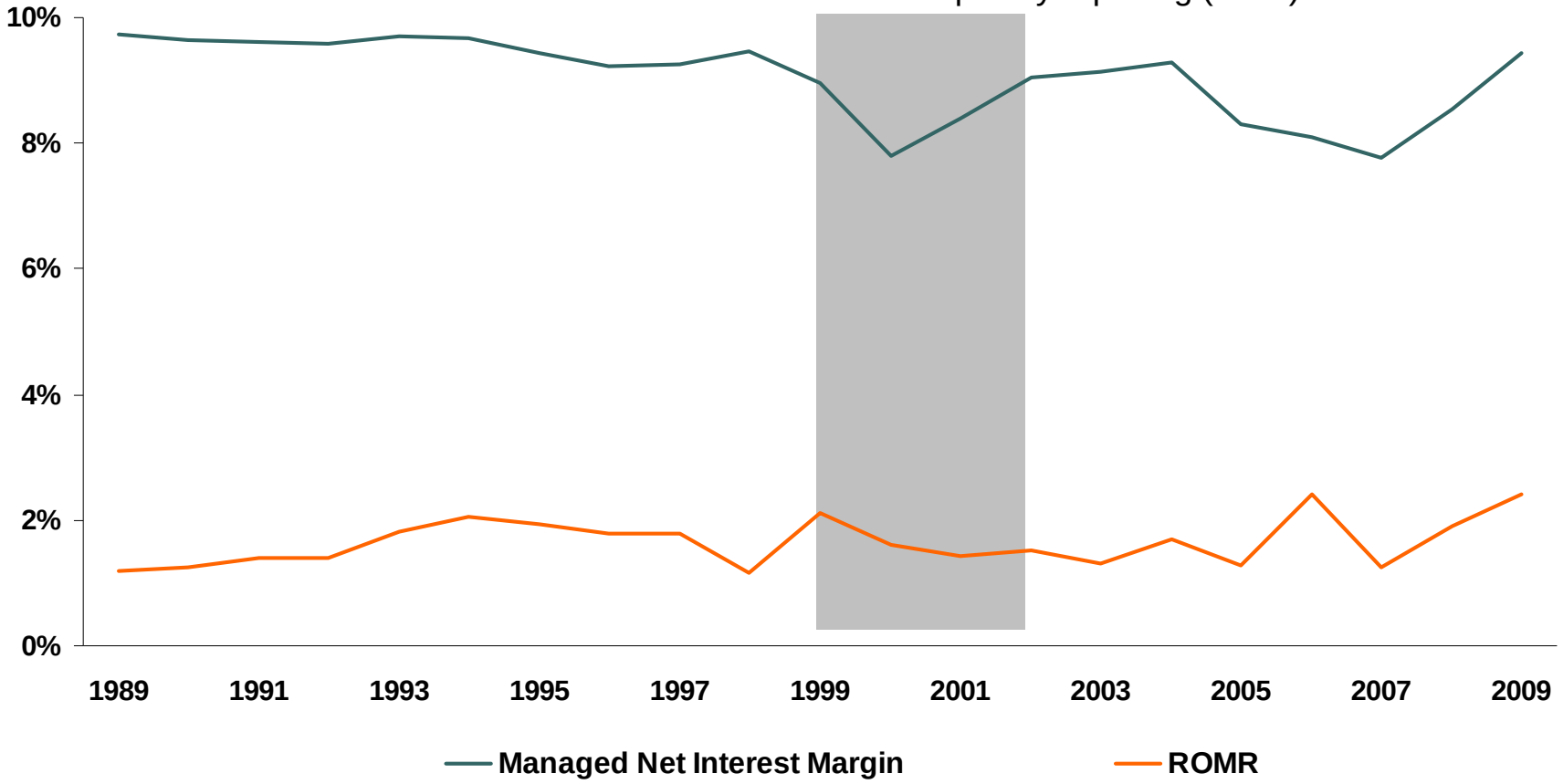
- Adjust business model for CARD Act
- Leverage Discover brand and leading Rewards program
- Continue to grow direct-to-consumer banking business
- Increase acceptance to drive higher sales
- Grow and integrate Diners Club/PULSE/Discover networks

Assessing Impact of CARD Act

Managed Net Interest Margin & ROMR[1]

Introduction of:

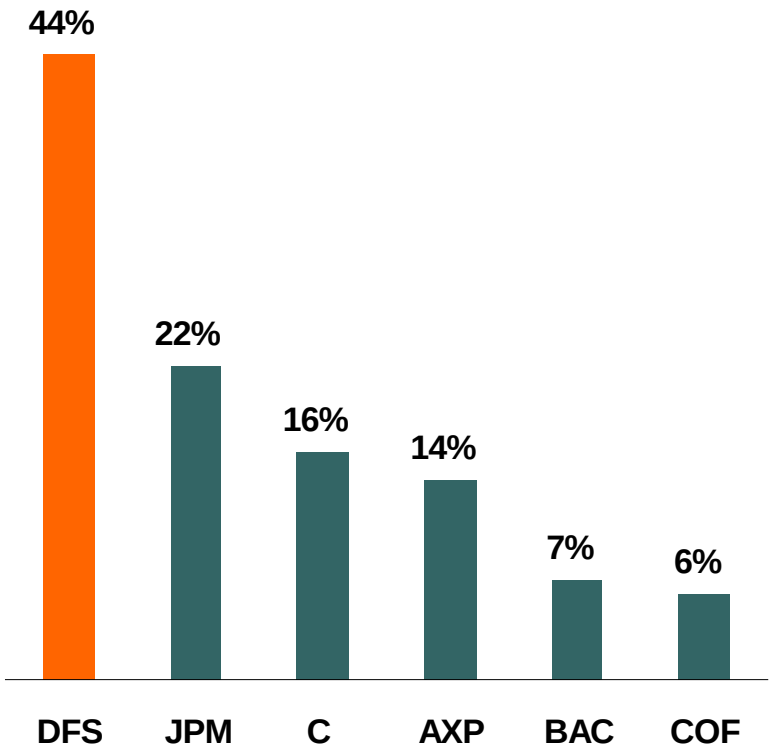
- Promotional rates (1999)
- Risk-based pricing (2000)
- Differentiated cash APRs (2000)
- Delinquency repricing (2002)



Note(s)
1. Calendar year data prior to 1998; ROMR is defined as return on managed receivables; refer to appendix for reconciliation of GAAP to managed data

Cash Rewards Leadership Drives Loyalty

Cash Rewards Market Share[1]



Source 2008 TNS Consumer Card Research

Competitive Advantages

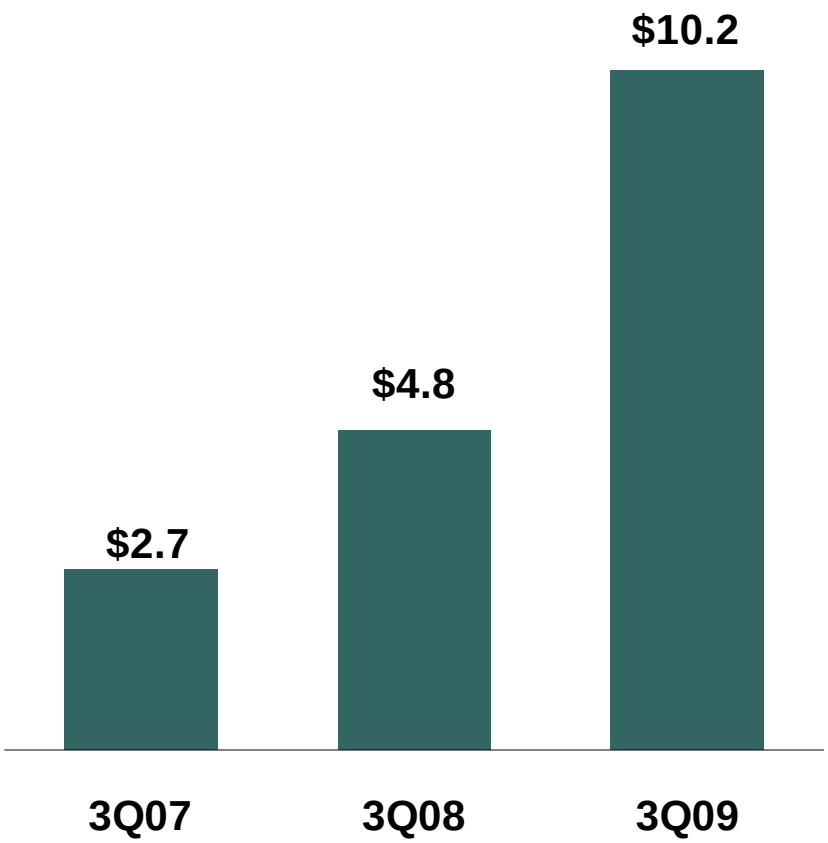
- Highest household ownership of cash reward cards
- 20+ years of cash rewards experience and innovation
- Focus on clarity and simplicity
- Merchant funded rewards
- Best-in-class loyalty

Note(s)

1. Household ownership of cash rewards cards; percentages add to more than 100% due to household use of multiple brands

Direct-to-Consumer Banking Growth

Direct-to-Consumer Deposits[1] (Bn)



Direct Banking

Discover Personal Loans

- Superior alternative for consolidating debt
- $1.3Bn in outstanding loans
- 86% cross-sell accounts

Discover Student Loans

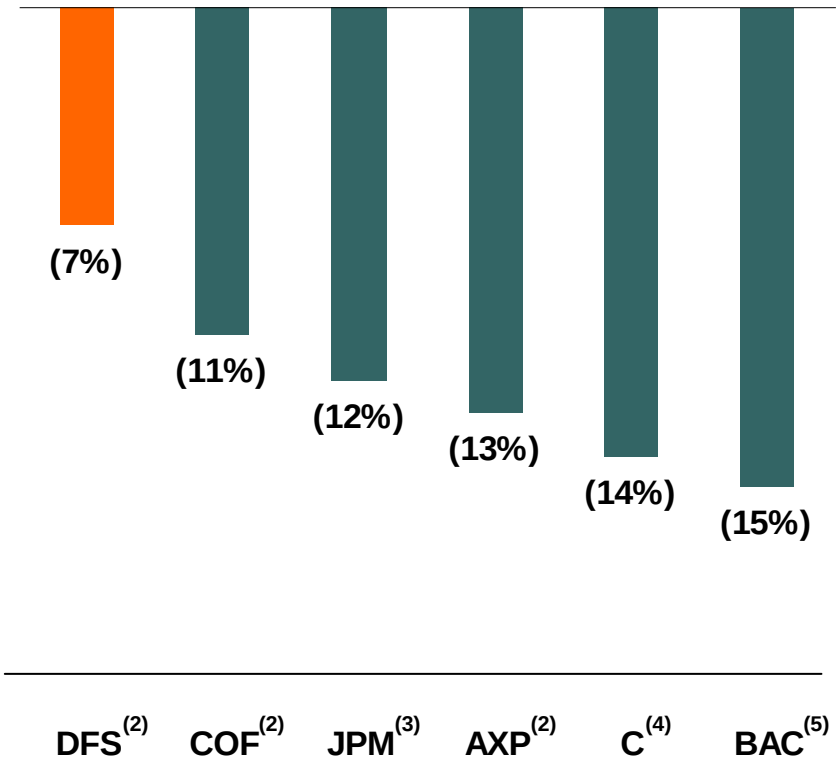
- Federal and private student loans
- $1.4Bn in outstanding loans
- On preferred lender list at 700+ schools

Note(s)

1. Includes deposits originated through affinity relationships

Increasing Acceptance to Drive Higher Sales

U.S. Credit Card Sales[1]
3Q YOY % Change



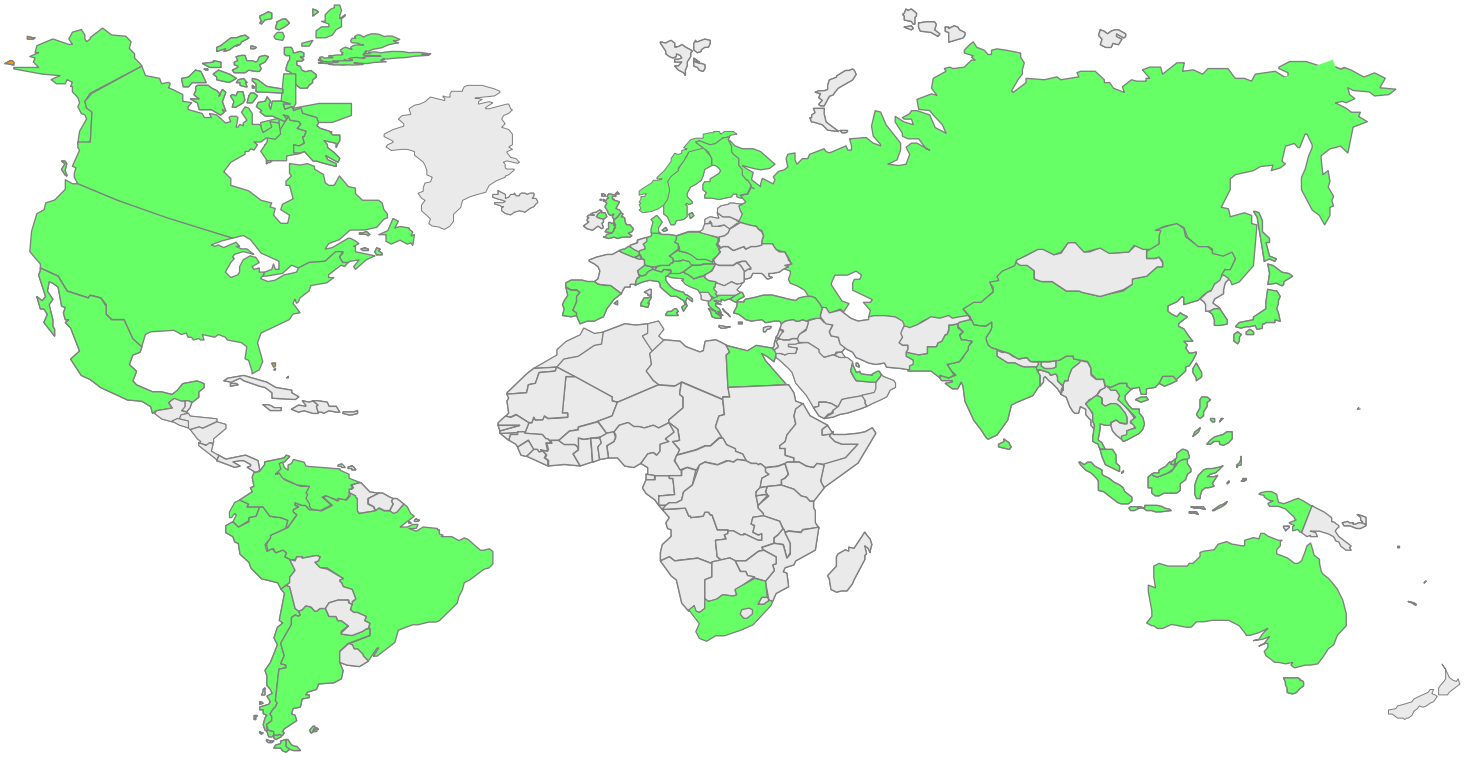
U.S. Merchant Acceptance

- Agreements with over 100 merchant acquirers
- Implementation continues

- 5% increase in active merchants
- Building awareness via cost-efficient targeted marketing

Note(s)
1. Based on 3Q09 quarterly reports
2. U.S. Card; sales volume, except AXP = sales & cash volume
3. Card Services; sales, BT & cash volume
4. Branded NA Cards; sales & cash volume
5. Global Cards; sales volume

Achieving Global Acceptance – ATM



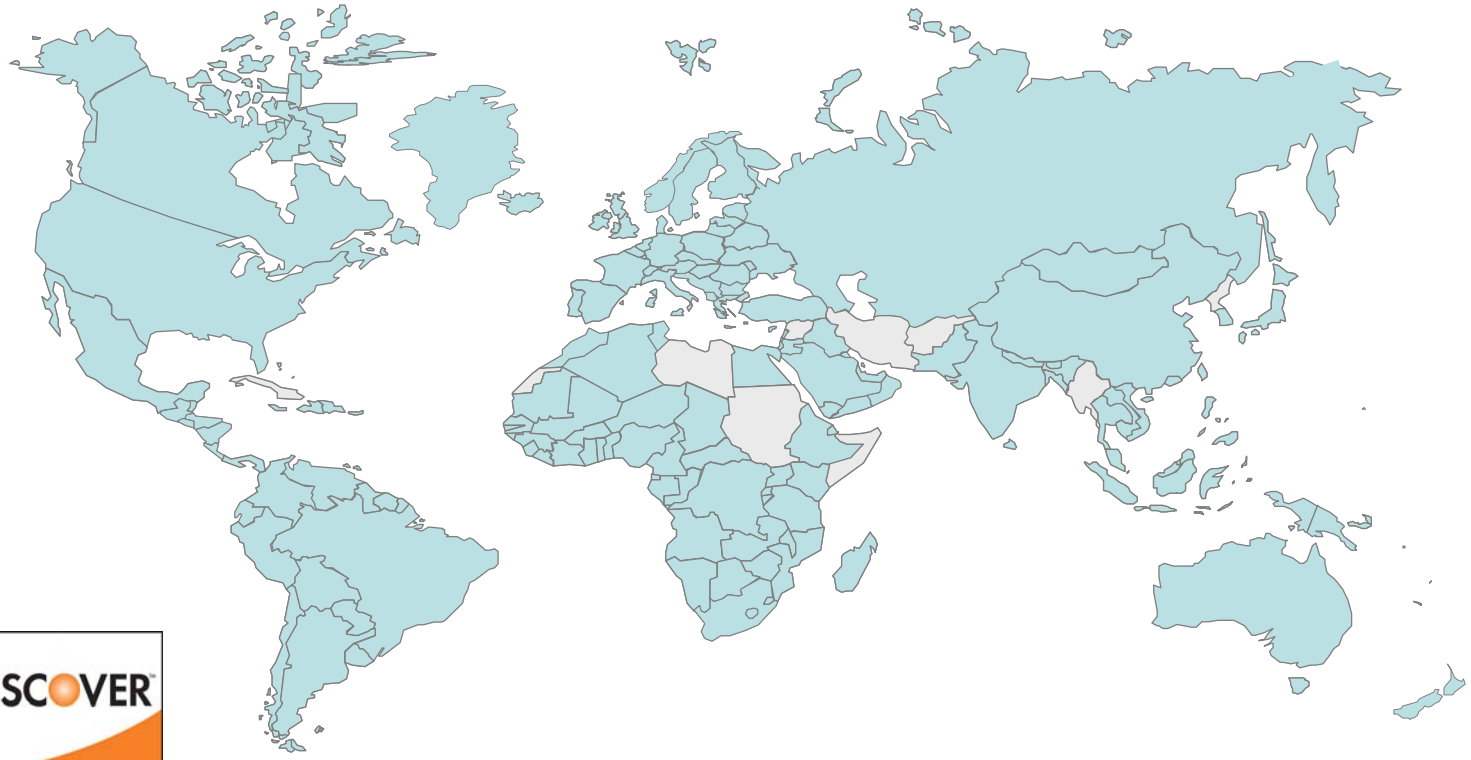
Global ATM Network

- Over 650,000 ATMs
- Coverage in over 100 countries and continuing expansion

*Based on Internal Discover Network Data

Note: Once Discover Network completes its global interoperability initiative, each Diners Club International location is expected to accept Discover Network cards and vice-versa

Achieving Global Acceptance – Merchant POS



Global POS Network

Discover cards accepted at DCI merchant locations:
- Goal of 50+ countries/territories by year-end 2009
- Goal of 100 countries/territories by June 2010
- Goal of 125 countries/territories by year-end 2010

*Based on Internal Discover Network Data

Note: Once Discover Network completes its global interoperability initiative, each Diners Club International location is expected to accept Discover Network cards and vice-versa

Leveraging Discover Assets to Drive Growth

Discover® revolutionized credit cards

1986

- Debit network acquisition

2005

- CUP partnership announced

2006

- First ZIP℠ contactless merchants deployed

2008

- JCB partnership announced
- International network acquisition

2009

Continuous innovation and expansion:

- Global ATM network
- Network-to-network relationships
- Global merchant acceptance
- Contactless/EMV

Performance Priorities[1]

Manage conservatively in a challenging environment

- Superior credit performance: 163bps lower charge-offs than industry average[2]
- Conservative loan growth: +1% YOY, significant reduction in balance transfers
- Increase net interest margin: 95bps increase YOY
- Reduce expenses: 16% decrease in U.S. Card YOY
- Focus on capital/liquidity/funding: 10.1% TCE/TMA

Build for the future

- Adjust business model for CARD Act
- Leverage Discover brand and leading Rewards program
- Continue to grow direct-to-consumer banking business
- Increase acceptance to drive higher sales
- Grow and integrate Diners Club/PULSE/Discover networks

Note(s)

1. Discover data as of 3Q09
2. Managed net charge-offs (credit card loans); industry average includes 3Q09 results from most relevant reporting segments of DFS, JPM, C, BAC, COF and AXP

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Appendix: Reconciliation of GAAP to Managed Data

	3Q09 [1]
Revenue Net of Interest Expense ($000s)	
GAAP Basis	$7,132,139
Securitization Adjustments	1,798,454
Managed Basis	$8,930,593

	3Q09
Total Assets ($000s)	
GAAP Basis	$42,698,290
Securitization Adjustments	25,096,019
Managed Basis	$67,794,309

	3Q09
Net Charge-off Rate (%)	
GAAP Basis	8.5%
Securitization Adjustments	8.8%
Managed Basis	8.6%

	2Q09	3Q09
Credit Card Loans ($000s)		
GAAP Basis	$25,312,764	$22,721,603
Securitization Adjustments	23,590,868	25,414,036
Managed Basis	$48,903,632	$48,135,639

(1) As of August 31, 2009, based on the trailing four quarters ending 3Q09

Appendix: Reconciliation of GAAP to Managed Data

	2007	2008	3Q09
Average Total Loans ($000's)			
GAAP Basis	$19,947,784	$21,348,493	$27,454,927
Securitization Adjustments	26,965,690	27,662,655	23,868,274
Managed Basis	$46,913,474	$49,011,148	$51,323,201
Net Interest Margin (%)			
GAAP Basis	6.8%	6.6%	7.6%
Securitization Adjustments	8.4%	10.1%	11.5%
Managed Basis	7.8%	8.6%	9.4%
Non-Interest Expense (%)			
GAAP Basis	12.4%	11.3%	8.0%
Securitization Adjustments	-	-	-
Managed Basis	5.3%	4.9%	4.3%
Return on Managed Loan Receivables (%)			
GAAP Basis	3.0%	4.3%	3.4%
Securitization Adjustments	-	-	-
Managed Basis	1.3%	1.9%	2.4%

Appendix: Reconciliation of GAAP to Managed Data

	3Q09
Tangible Common Equity/Tangible Assets (%)	
GAAP Basis	16.0%
Securitization Adjustments	27.0%
Managed Basis	10.1%
Tangible Common Equity/Net Loans (%)	
GAAP Basis	28.7%
Securitization Adjustments	26.7%
Managed Basis	13.8%