

# 2012 Annual Shareholder Meeting

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April 18, 2012

## Notice

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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, 2011, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Quarterly Report on Form 10-Q for the quarter ended February 29, 2012, which are on file with the SEC.

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# Discover strategy: Become the leading direct banking and payments company



## DISCOVER®

### *U.S. Card Issuing*

- \$47Bn in receivables
- Leading cash rewards program
- 1 in 4 U.S. households

### *Deposits and Other Lending*

- \$26.2Bn consumer deposits
- \$10Bn personal loans and private student loans



- \$111Bn volume
- 30+ issuers



- \$140Bn volume
- 4,300+ issuers



- \$29Bn volume
- 50+ franchises
- 185+ countries / territories

## FY 2011 – Another year of significant accomplishments

- Delivered record \$2.2Bn net income with ROE of 30%
- Drove record \$280Bn network sales volume (+13% YOY)
- Achieved all-time low delinquency rate of 2.30%
- Returned to growth in card receivables (+3% YOY)
- Closed two private student loan acquisitions (\$5.5Bn of loans)
- Reached \$26Bn in direct-to-consumer deposits (+27% YOY)
- Focused on capital / liquidity / funding (restored and then raised dividend 67%, repurchased shares)

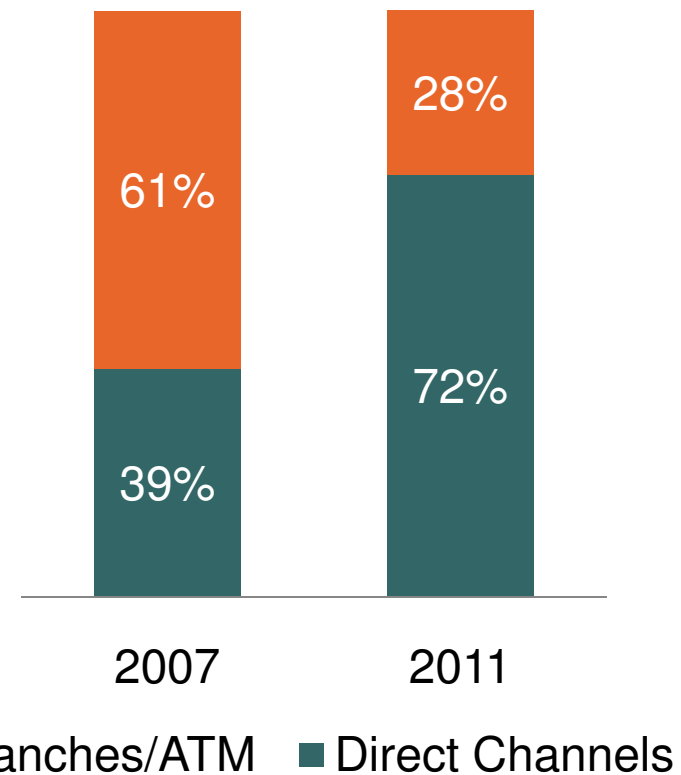
## Direct Banking is the future

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- **Exploit advantages vs. traditional banks**
  - Consumer preference shifting to direct channels
  - Cost advantage, especially in extended low-rate environment
- **Leverage card-built position and capabilities**
  - Strong brand / large loyal customer base
  - Industry-leading unsecured underwriting
  - Direct acquisition / servicing capabilities

### Preferred Banking Method

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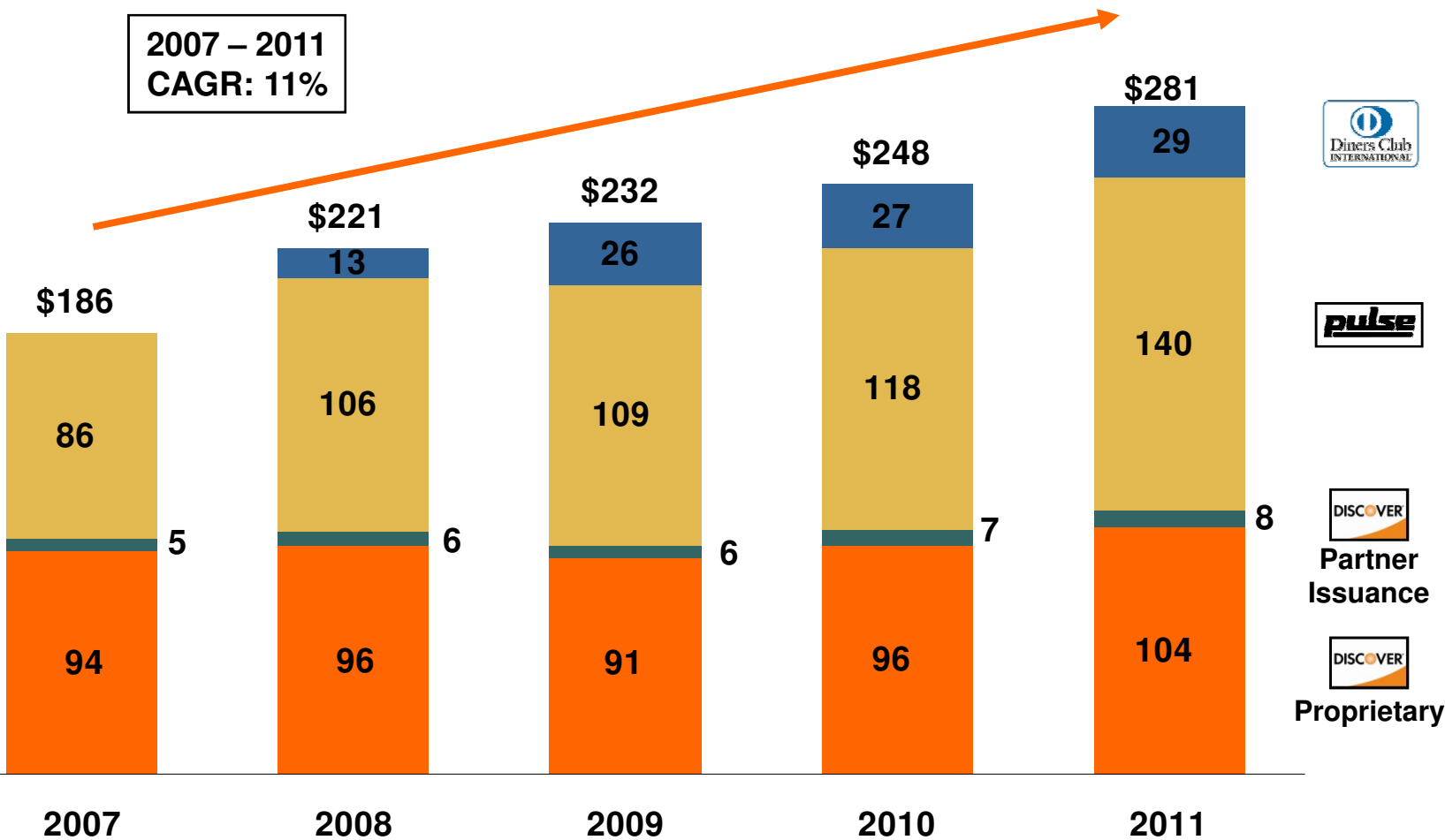
Source American Bankers Association, August 2007 & September 2011

# Payment Services: Continue to deliver growth in volume and profit



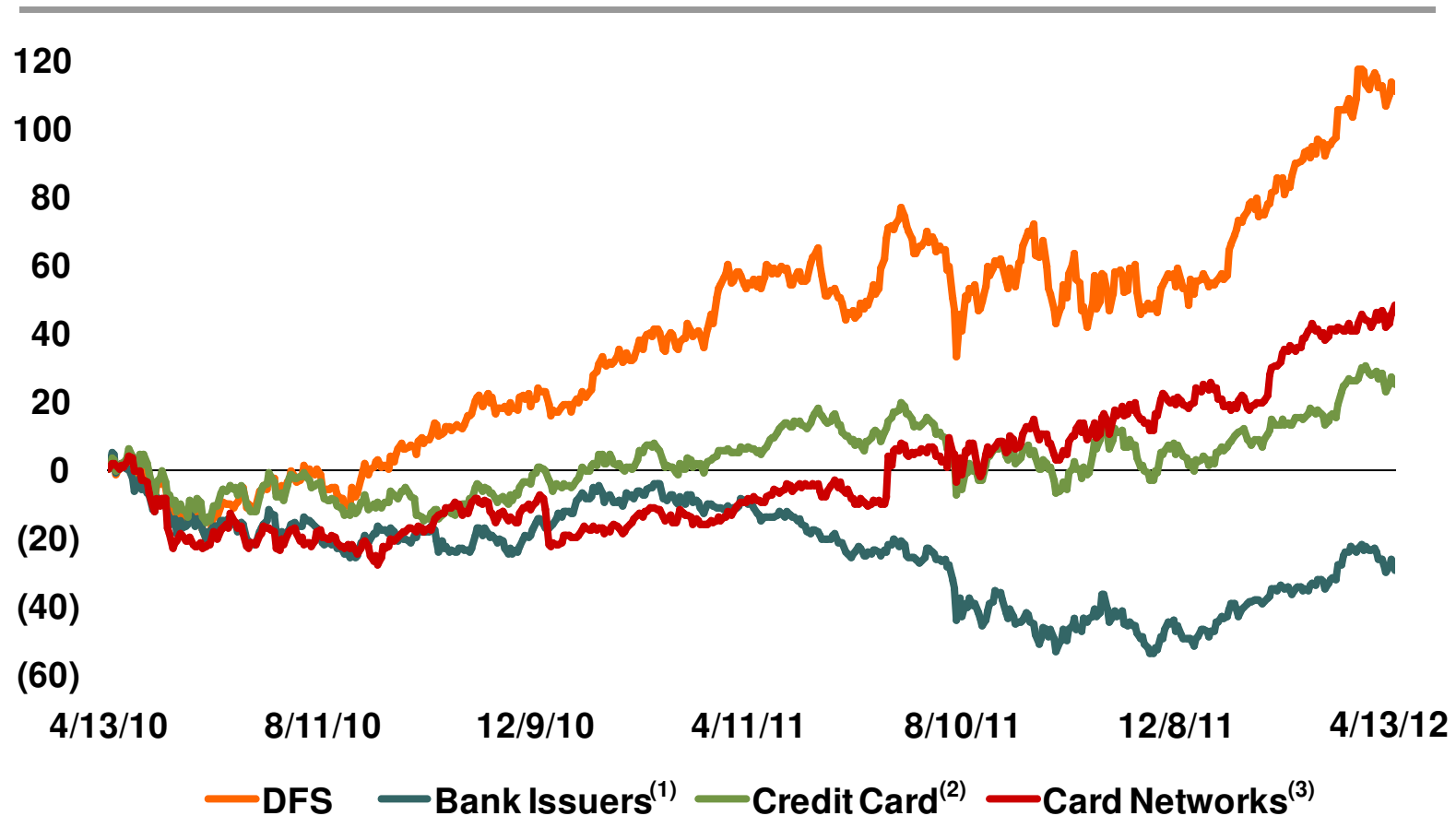
Volume Growth (\$Bn)

2007 – 2011  
CAGR: 11%



# Discover shares outperformed major competitors

## 2-Year Stock Price Performance (%)



Source SNL

**Note(s)**

- 1. Index includes BAC, C and JPM
- 2. Index includes AXP and COF
- 3. Index includes MA and V

## Profitable long-term growth model

	Updated Business Model	
	Asset / Volume Growth	EPS Growth / Contribution
Card	2 - 4%	3 - 4%
Other Consumer Lending	10-15%	3 - 4%
Payments	10%+	2%+/-
<b>Organic Asset Growth</b>	<b>5 - 6%</b>	<b>8 - 10%</b>
Capital Management / Acquisitions	0 - 4%	2 - 5%
<b>Total Growth</b>	<b>5 - 10%</b>	<b>10 - 15%</b>

### Targets:

**Tier 1 Common Ratio<sup>(1)</sup>**

**~9.5%**

**ROE**

**15% +**

**Note(s)**

1. Tier 1 common capital as a percent of risk-weighted assets under Basel I



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