



**China's economy freezing up. How freaked out should we be?**

- The Washington Post (June 2013)

**End of American dream: 4 of 5 in U.S. face near-poverty**

- Associated Press (July 2013)

**US Economy growth at modest-moderate pace**

- Reuters (September 2013)

**Bad Economy Is New Normal, More Americans Say**

- Huffington Post (July 2013)

**U.S. economy looks weaker, as GDP data is revised**

- CNN (June 2013)

**Economy added a disappointing 162,000 jobs in July**

- The Washington Post (August 2013)

**Dow stocks close at all-time high**

- NBC (September 2013)

**U.S. Trade Gap Narrows**

- Wall Street Journal (July 2012)

**World stocks fall on European contagion concern**

- Associated Press (June 2012)



Customer, Brand Focus

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Harit Talwar – President of US Cards  
Discover Financial Services

That which does  
makes us s

– Friedrich Ni



# Credit card industry – The Goldilocks Syndrome

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DISCOVER®



## The Butterfly Effect

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Seemingly small  
increase in unemployment  
can erode industry  
profit significantly



# Regulatory changes

**Lost revenue as a result of the CARD Act will be more than \$50 billion (1)**

**New law is expected to cost the industry as much as \$5.5 billion in lost revenue in 2010 and more than \$50 billion through 2015 (2)**

**CARD Act could reduce an organization's revenue by as much as 50% (3)**

**Adoption of FAS166/167 will lead to a significant increase in capital requirements**

Notes :

1. [www.wsj.com](http://www.wsj.com), Sidel, R. "Banks Roll Out New Check, Card Fees", 2 January 2010.  
 2. [http://money.cnn.com/2010/02/19/news/companies/banks\\_credit\\_cards/](http://money.cnn.com/2010/02/19/news/companies/banks_credit_cards/) - R.K. Hammer (February 2010).  
 3. FICO Research (January 2010).

Accountability Responsibility  
 "Credit CARD Act of 2009".  
 (b) TABLE OF CONTENTS.—  
 The table of contents for this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Regulatory authority.
- Sec. 3. Effective date.

CONSUMER PROTECTION

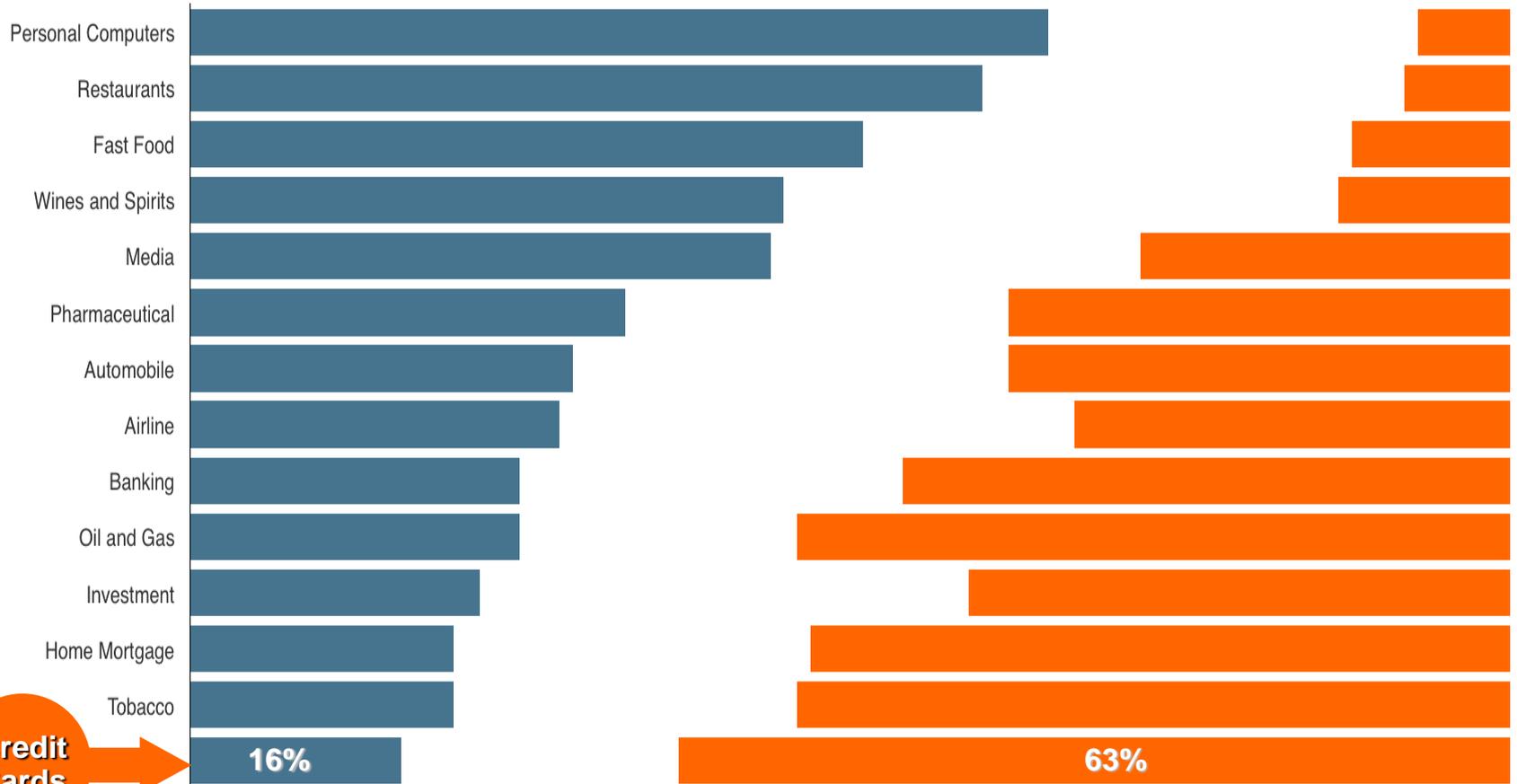
ADVANCE NOTICE OF RATE INCREASE AND OTHER CHANGES  
 D.—In the case of any credit card account under an  
 consumer credit plan, a creditor shall  
 of an increase in an

ADVANCE NOTICE OF RATE INCREASE AND OTHER CHANGES  
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 consumer credit plan, a creditor shall  
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# How did consumers view the category?

**Favorable**

**Unfavorable**



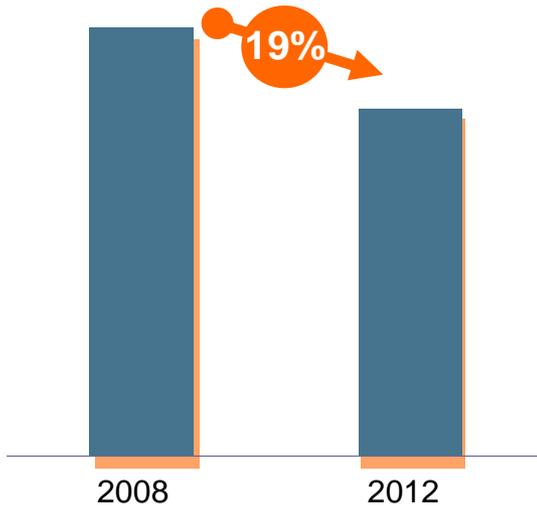
**Credit Cards**

**16%**

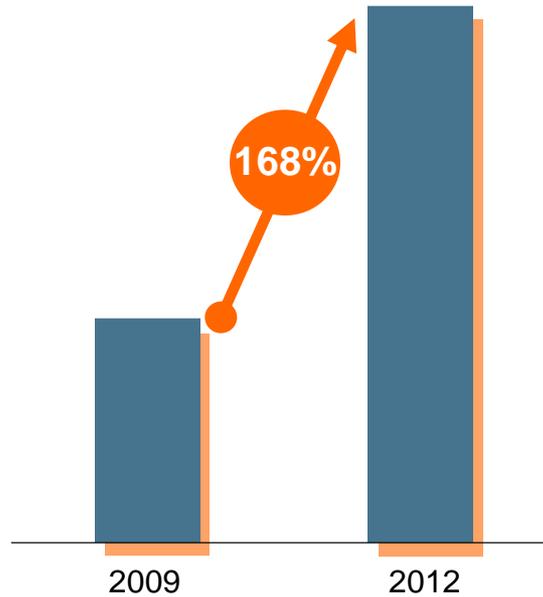
**63%**

# Industry is smaller and more competitive

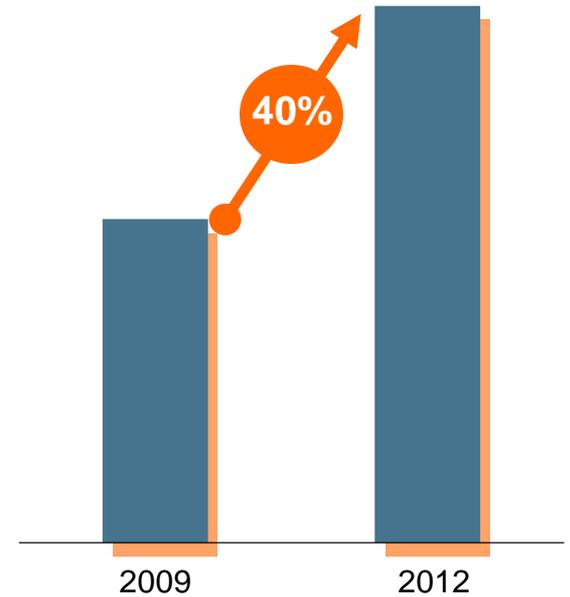
### Credit Card Loans <sup>(1)</sup>



### Direct Mail Volume <sup>(2)</sup>



### Media Spend <sup>(3)</sup>



Note(s)  
1. U.S. Board of Governors of the Federal Reserve System (year ending receivables)  
2. Comperemedia, full year  
3. MediaCom, full year

# Leading direct bank and payments partner

## Direct Banking



U.S. Cards

- \$50Bn in card receivables
- Leading cash rewards program
- 1 in 4 U.S. households

**DISCOVER**  
Deposits and Lending

- \$29Bn direct-to-consumer deposits
- \$12Bn personal loans and private student loans
- \$5Bn home loan originations
- Cashback checking
- Home equity installment loans

## Payments



- \$121Bn volume
- 30+ issuers



- \$161Bn volume
- 4,100 issuers



- \$28Bn volume
- 80 licensees
- 185+ countries / territories

The key is not  
Everybody

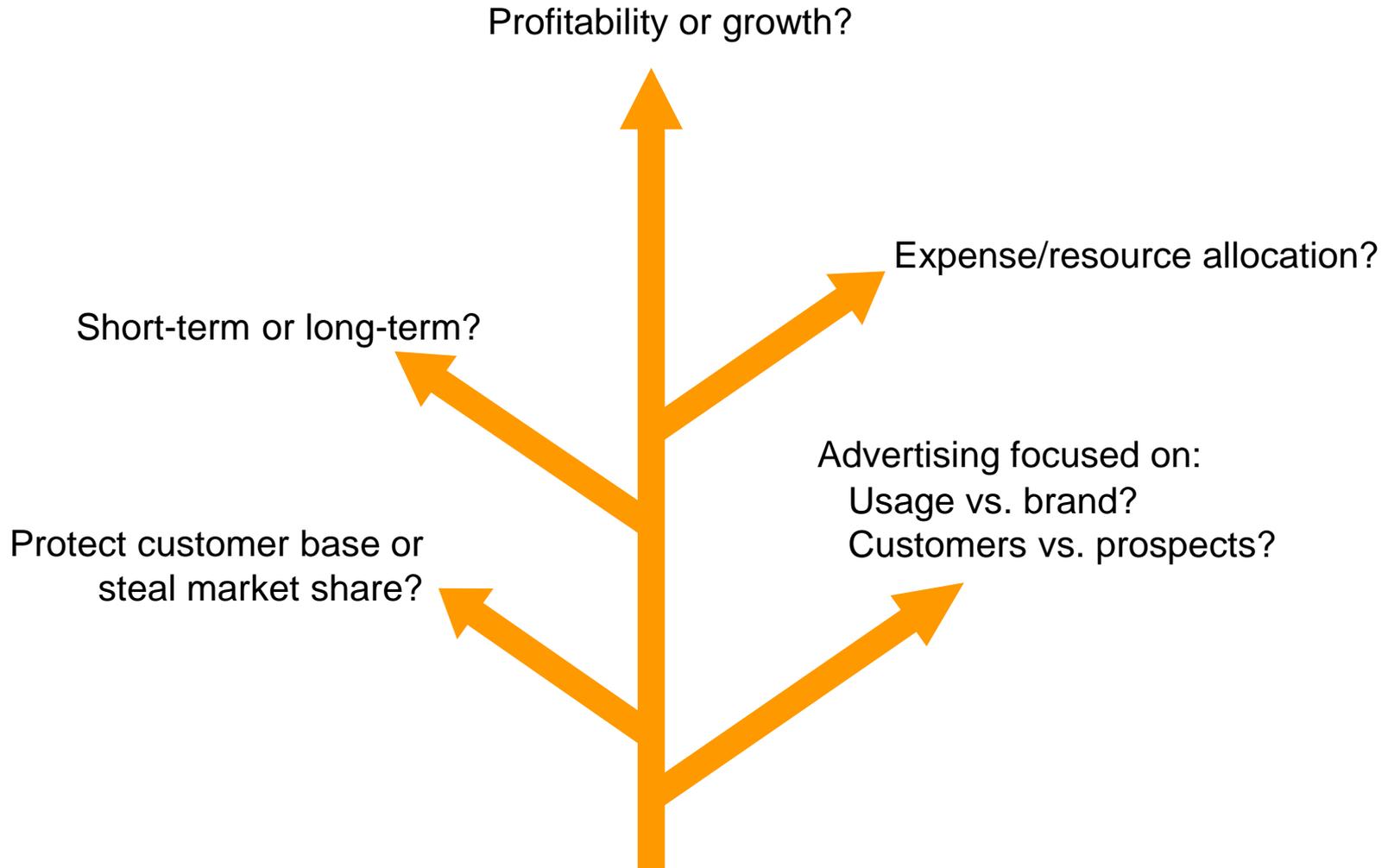
It is the **will to prepare**

- Bo

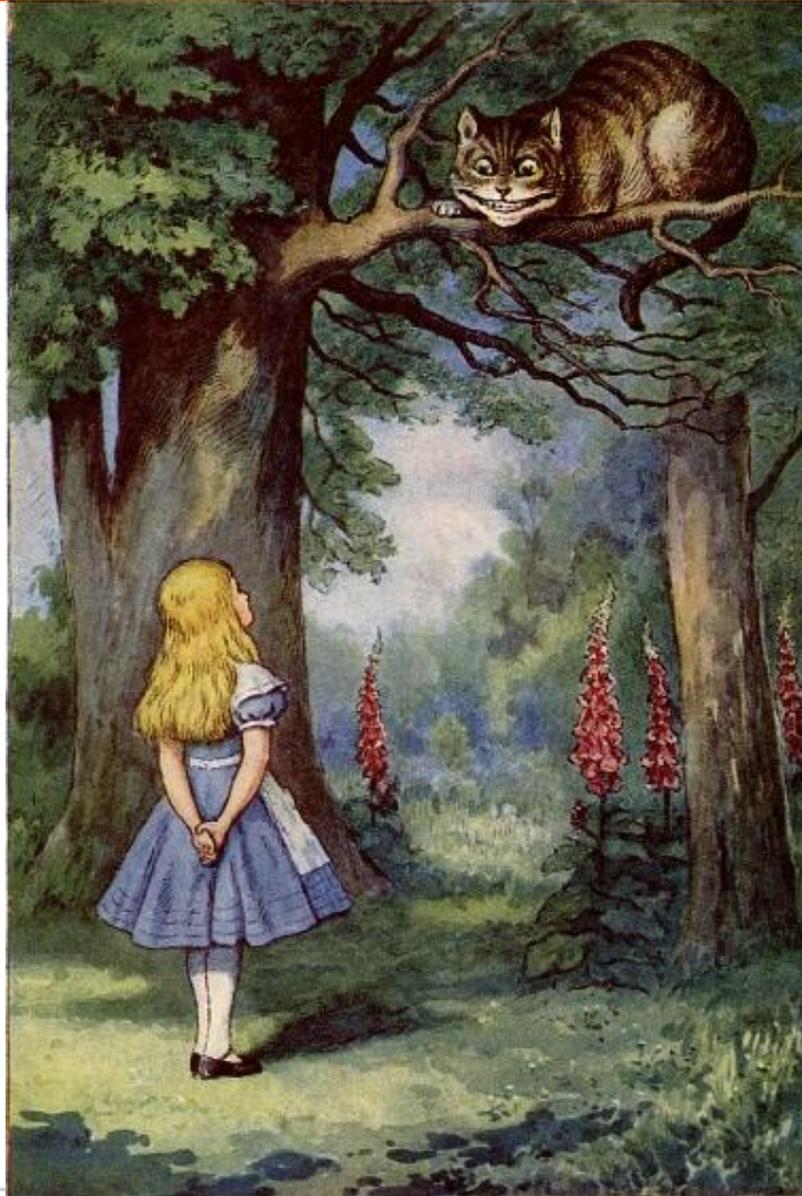


# The agony of choices!

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# No luxury of decidophobia



## Nosce te ipsum

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- Protect customer base and profitability
- Emerge competitively stronger



Customer  
is  
True  
North

# Our customer

## Family Focused and Social

- BBQs
- Home decorating
- Home entertaining
- Board games
- Camping
- Concerts and theater
- College football
- Theme parks and museums



## Increasing Technology Use

- Organize life
- Online bill payments
- Smart phones
- Mobile devices
  - Weather, maps, sports Entertainment: Golden Globes, New Years Eve, Oscars and news
- Nintendo Wii

## Family Friendly, Useful Media

- Sports: NHL, ESPN and bowl games
- Magazines: Money, Cooking Light, Shape
- Digital: Podcasts, blogs and streaming radio

## Married with Children

- Average Age: 42
- Average HHI: \$106
- 68% are married
- 52% have children

## Casual Family Restaurants

- Olive Garden
- Dave & Buster's
- Outback Steakhouse
- Dunkin' Donuts

## Classic and Quality Brands

- Loyal to trusted brand names
  - Ann Taylor
  - Bed Bath & Beyond
  - Michael's
  - The Home Depot

# The new consumer

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Value-driven

Online savvy,  
research  
conscious

Suspicious of  
business  
gotchas

Consumers  
control the  
brand

# The journey ...

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It pays to DISCOVER®

**Phase 1:** Focus on the  
Core Needs of the  
Customer



# Leveraging rewards

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# CASHBACK BONUS®

**Ready to make your money worth more?**

Find hot deals and exclusive cardmember offers.

[Earn More ▶](#)



**What will you get back?**

Redeem your *Cashback Bonus* for gift cards, cash and more.

[Redeem for More ▶](#)

# Leveraging emerging technologies



**Note(s)**  
Registered trademarks are the property of respective owners

Summer Fun (15



Restaurants (15 sec)





Summer Fun (15



Restaurants (15 sec)



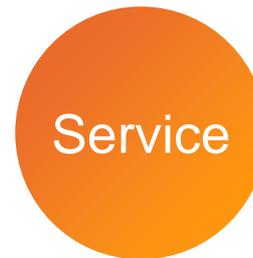


# The journey ...

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It pays to **DISCOVER**®

**Phase 1: Focus on the Core Needs of the Customer**

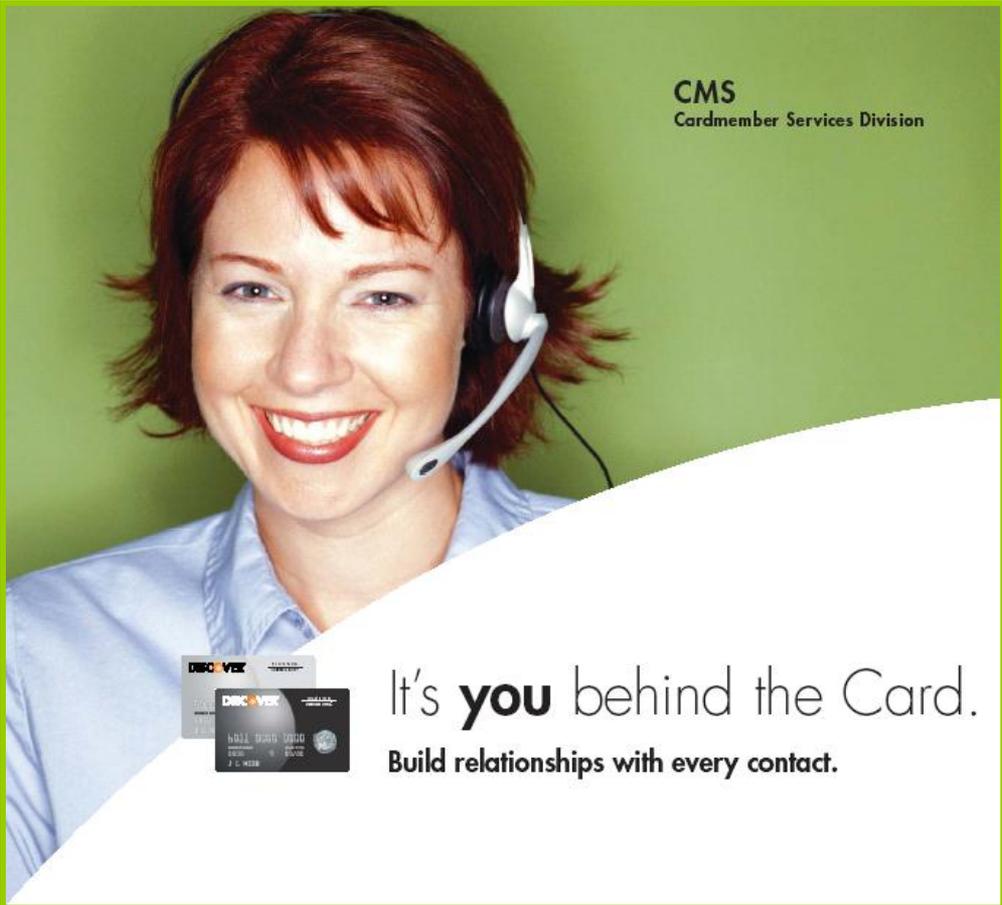


**Phase 2: Differentiate**



# Differentiate on service as a core brand driver

DISCOVER®

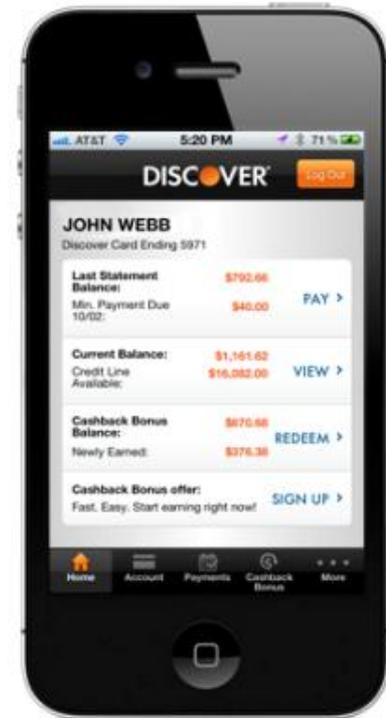


CMS  
Cardmember Services Division



It's **you** behind the Card.  
Build relationships with every contact.

# Digital experience integral to the brand



# Differentiating at the point-of-sale



PAY WITH  
**Cashback Bonus**

amazon.com



**FREE**  
MEDIUM FRIES OR  
MEDIUM SOFT DRINK

With purchase of  
Spicy Chicken McBites®

McDonald's | DISCOVER



It tastes like Starbucks® coffee  
because it is.

100% natural roasted Starbucks® arabica coffee  
you brew instantly.

STARBUCKS®

**FREE**  
STARBUCKS® TALL  
12 fl. oz. BEVERAGE\*

with purchase of Starbucks VIA®

DISCOVER

Grocery Stores  
Refresh (15 sec)



On-line Refresh  
(15 sec)



Peggy: Service



Peggy: Rewards



Peggy: Acceptance



**DISCOVER<sup>®</sup>**

Grocery Stores  
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On-line Refresh  
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Grocery Stores  
Refresh (15 sec)



On-line Refresh  
(15 sec)



Peggy: Service



Peggy: Rewards



Peggy: Acceptance





## The journey ...

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It pays to **DISCOVER**®

**Phase 1: Focus on the Core Needs of the Customer**

Rewards

Service

Value

**Phase 2: Differentiate**

Friendly

Helpful

Refreshing

**Phase 3: Innovate**

“A *different* kind of company, where *loyalty* goes both ways.”

*Cardmembers*  
love us

*Non-Cardmembers*  
aren't so sure

*Most people*  
don't trust the credit card industry

# Distinctive combination of product features



**game changer.  
it's new.  
it's here.**

		CHASE FREEDOM <sup>®</sup>	BANK AMERICARD CASH REWARDS <sup>™</sup>	CAPITAL ONE CASH REWARDS	CITI SIMPLICITY
No annual fee	✓	✓	✓	✓	✓
No late fee for your first late payment	✓	X	X	X	✓
No foreign transaction fee	✓	X	X	✓	X
No overlimit fee	✓	X	✓	✓	✓
Paying late won't increase your APR	✓	X	X	X	✓
Earn cash rewards on every purchase, not points	✓	X	✓	✓	X
5% cash back online October through December <sup>†</sup>	✓	X	X	X	X
Pay for millions of items with your rewards at Amazon.com	✓	✓	X	X	X
Pay your bill 'til midnight (ET) the day it's due by phone or online	✓	X	X	X	X
100% U.S. based customer service available any time	✓	X	X	X	X
Automatic expedited delivery of your new card via UPS	✓	X	X	X	X

# Unique design and customer experience

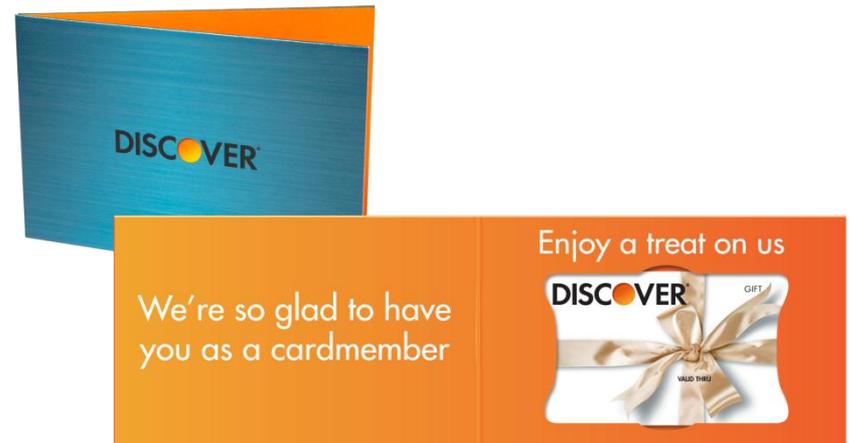
- New online application process
- Distinctive card design and communications
- Expedited delivery
- Access to live account manager
- Superior service experience



**Card design**



**Card delivery**



**Surprise and delight**

# Emphasizing value proposition beyond price

**We've got your back.**



We heard what you hate about credit cards

Talk to a real person whenever you want

Count on real cash rewards

Rest easy, day or night

Get help when you need it most

0% INTRO APR ON PURCHASES AND BALANCE TRANSFERS FOR 12 MONTHS THAT'S UNTIL 2014!	AFTER THAT, YOUR STANDARD VARIABLE PURCHASE APR APPLIES CURRENTLY 15.99% - 18.99%	A 3% FEE APPLIES FOR EACH BALANCE TRANSFERRED. *** FOR COMPLETE DETAILS, PLEASE SEE REVERSE.	NO ANNUAL FEE
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Get the treatment you deserve. Apply today.  
 Discover.com/it • 1-800-756-4336

APPLICATION ON BACK

**breaks the mold**

Discover it<sup>®</sup> is here to change how you think about credit cards.

**Fair**—get fee relief at last.

**Human**—we're always on call to help.

**Generous**—turn purchases into cash.

**Safe**—less for you to worry about.

0% INTRO APR ON PURCHASES AND BALANCE TRANSFERS FOR 12 MONTHS THAT'S UNTIL 2014!	AFTER THAT, YOUR STANDARD VARIABLE PURCHASE APR APPLIES CURRENTLY 15.99% - 18.99%	A 3% FEE APPLIES FOR EACH BALANCE TRANSFERRED. *** FOR COMPLETE DETAILS, PLEASE SEE REVERSE.	NO ANNUAL FEE
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Break away. Apply today.  
 Discover.com/it • 1-800-756-4336

APPLICATION ON BACK

**Note(s)**

– Creatives highlight key features only for illustrative purposes

Discover it  
(30 sec)



Discover it  
(30 sec)



Discover it  
(30 sec)





Discover it  
(30 sec)



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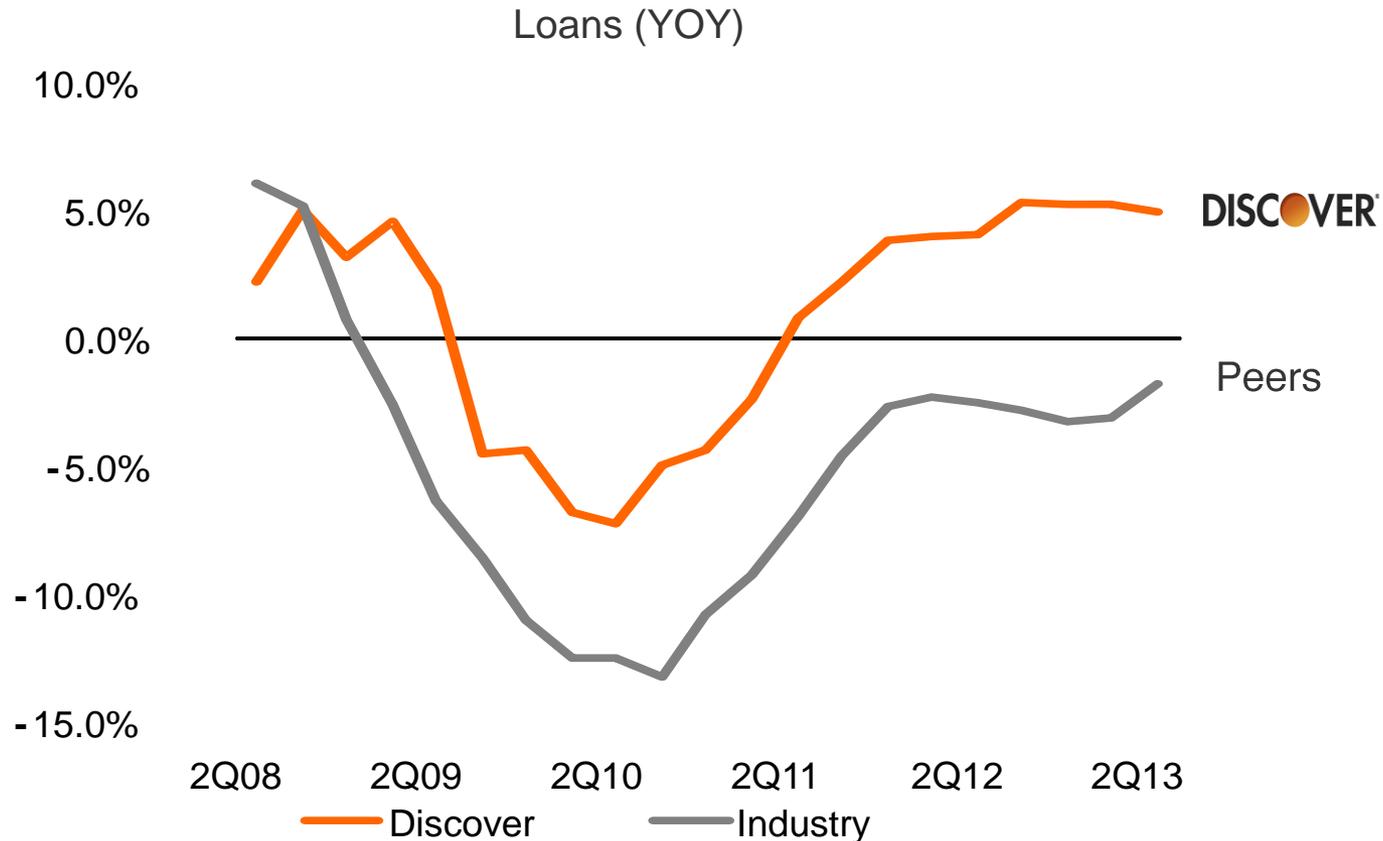


Discover it  
(30 sec)





# Faster growth increasing market share



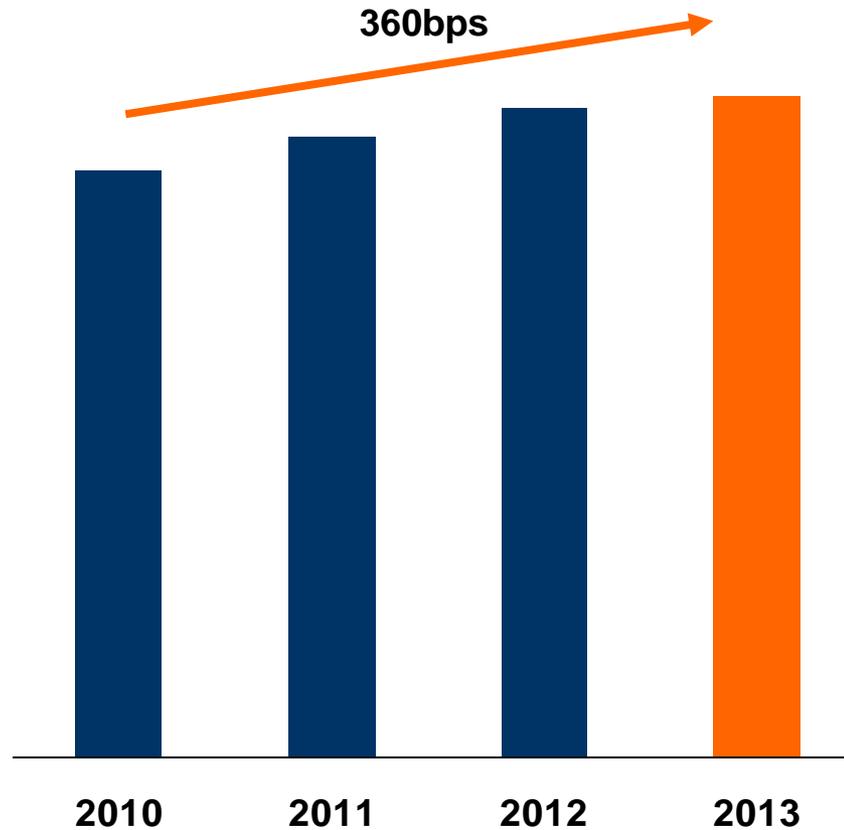
Source SEC filings, calendar year data, internal estimates

**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.) 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)

# Increasing wallet share with existing customers

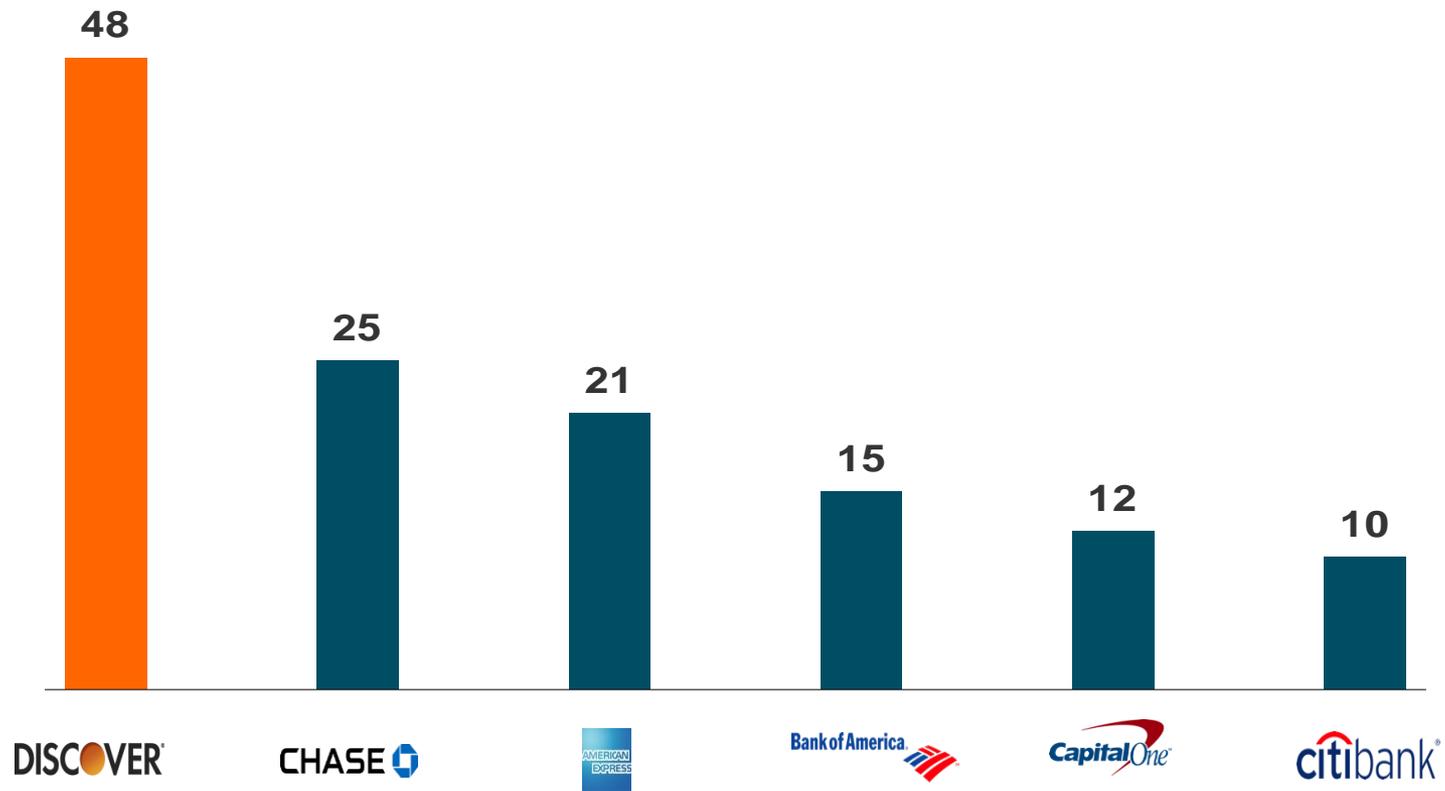
## Wallet Share of Loans<sup>(1)</sup>

**Note(s)**

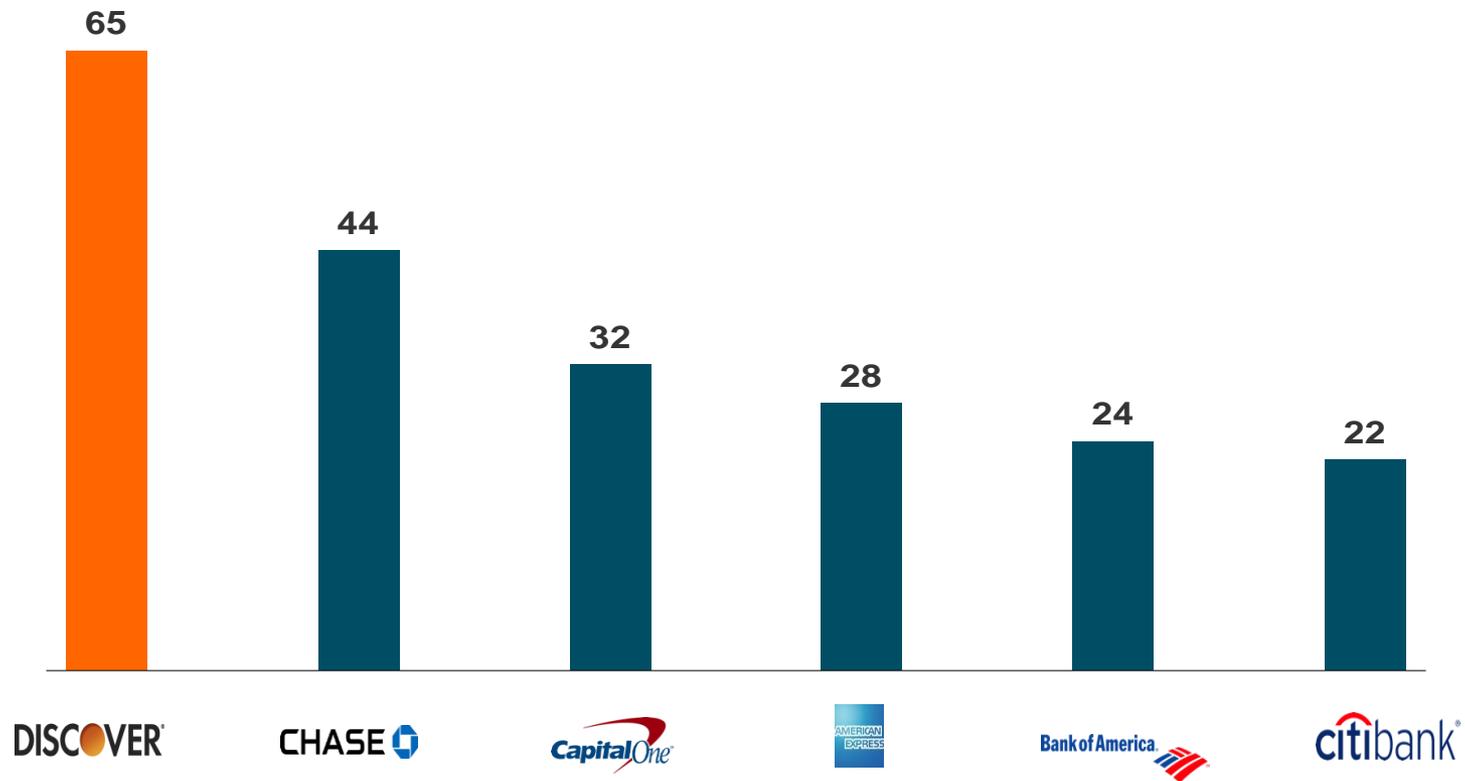
1. Wallet Share is the amount of customer loans with Discover vs. other cards in wallet as of December of each year; share based upon credit bureau data and internal modeling

# Largest cash rewards

Cash rewards household penetration (%)



# Best cash rewards

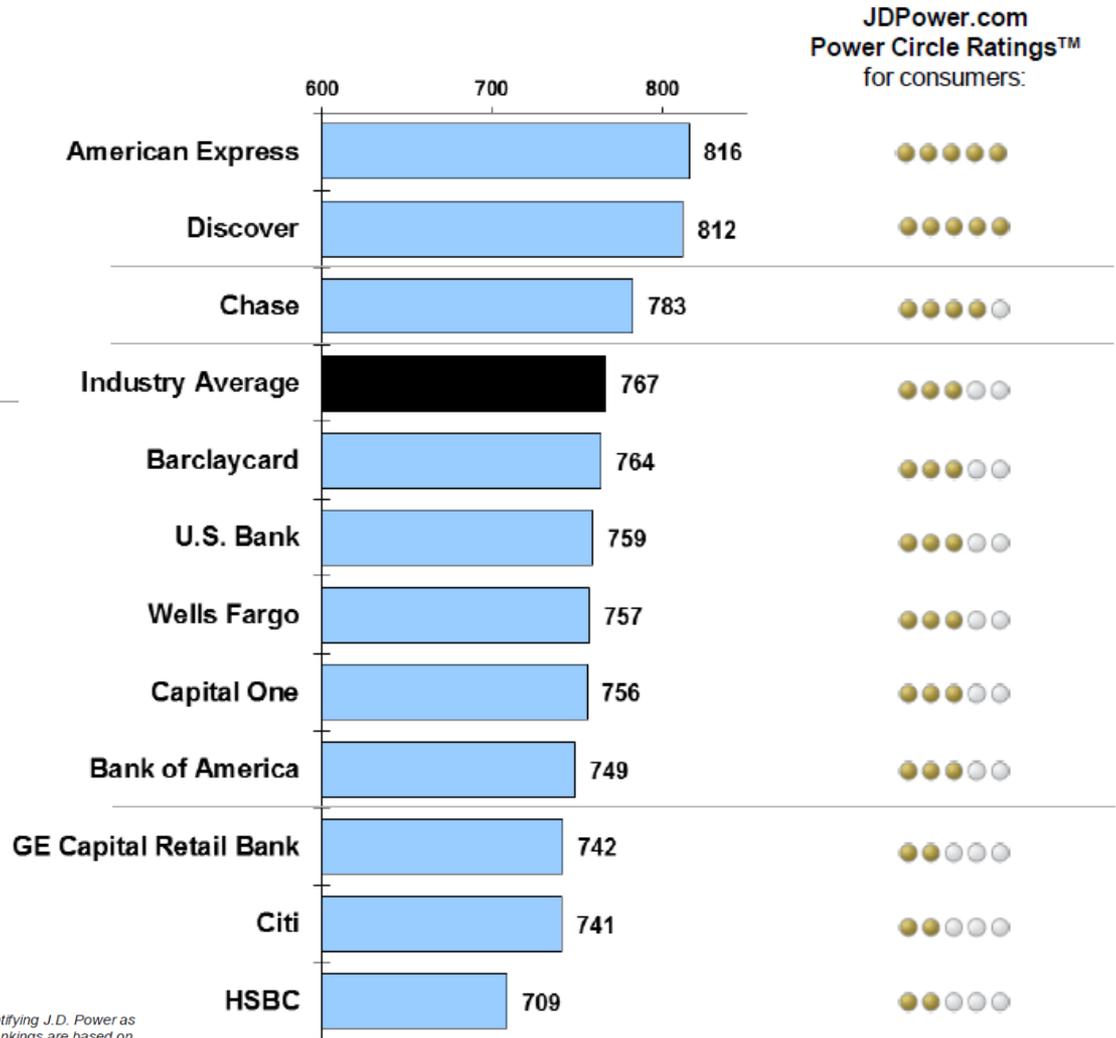


# Leading customer service

**J.D. Power  
2013 U.S. Credit Card Satisfaction Study<sup>SM</sup>**

**Power Circle Ratings Legend**

- Among the best
- Better than most
- About average
- The rest



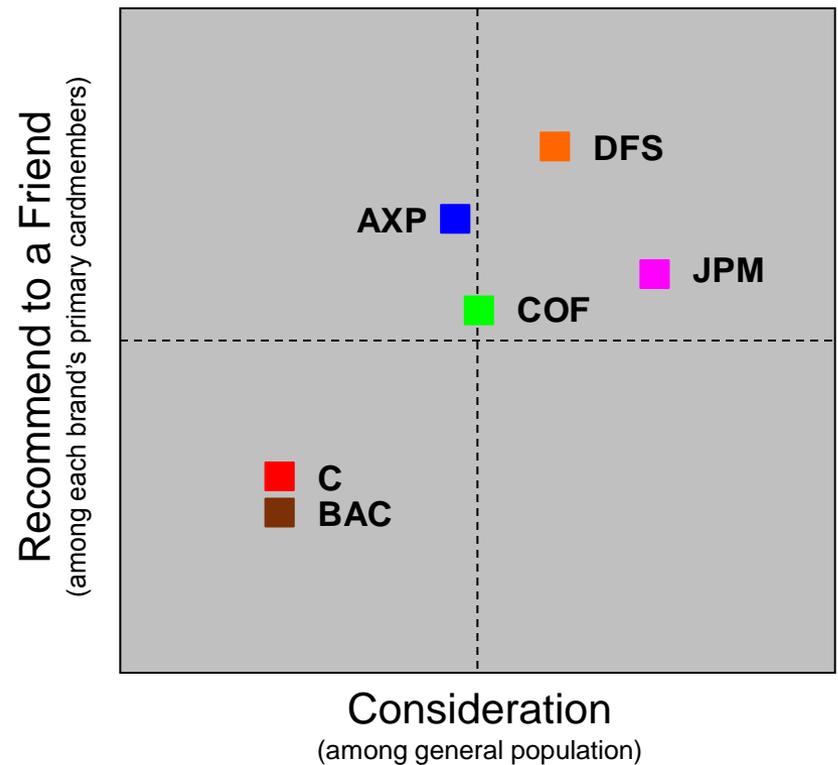
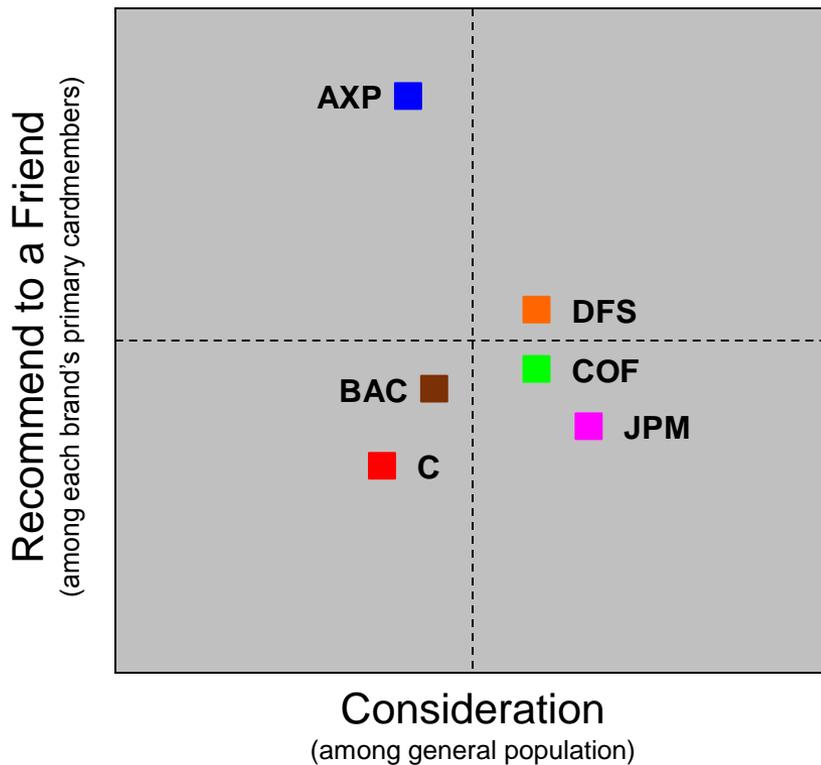
Source: J.D. Power 2013 U.S. Credit Card Satisfaction Study<sup>SM</sup>

Charts and graphs extracted from this press release must be accompanied by a statement identifying J.D. Power as the publisher and the J.D. Power 2013 U.S. Credit Card Satisfaction Study<sup>SM</sup> as the source. Rankings are based on numerical scores, and not necessarily on statistical significance. JDPower.com Power Circle Ratings™ are derived from consumer ratings in J.D. Power studies. For more information on Power Circle Ratings, visit [jdpower.com/faqs](http://jdpower.com/faqs). No advertising or other promotional use can be made of the information in this release or J.D. Power survey results without the express prior written consent of J.D. Power.

# Strong brand momentum

1Q 2009

1Q 2013



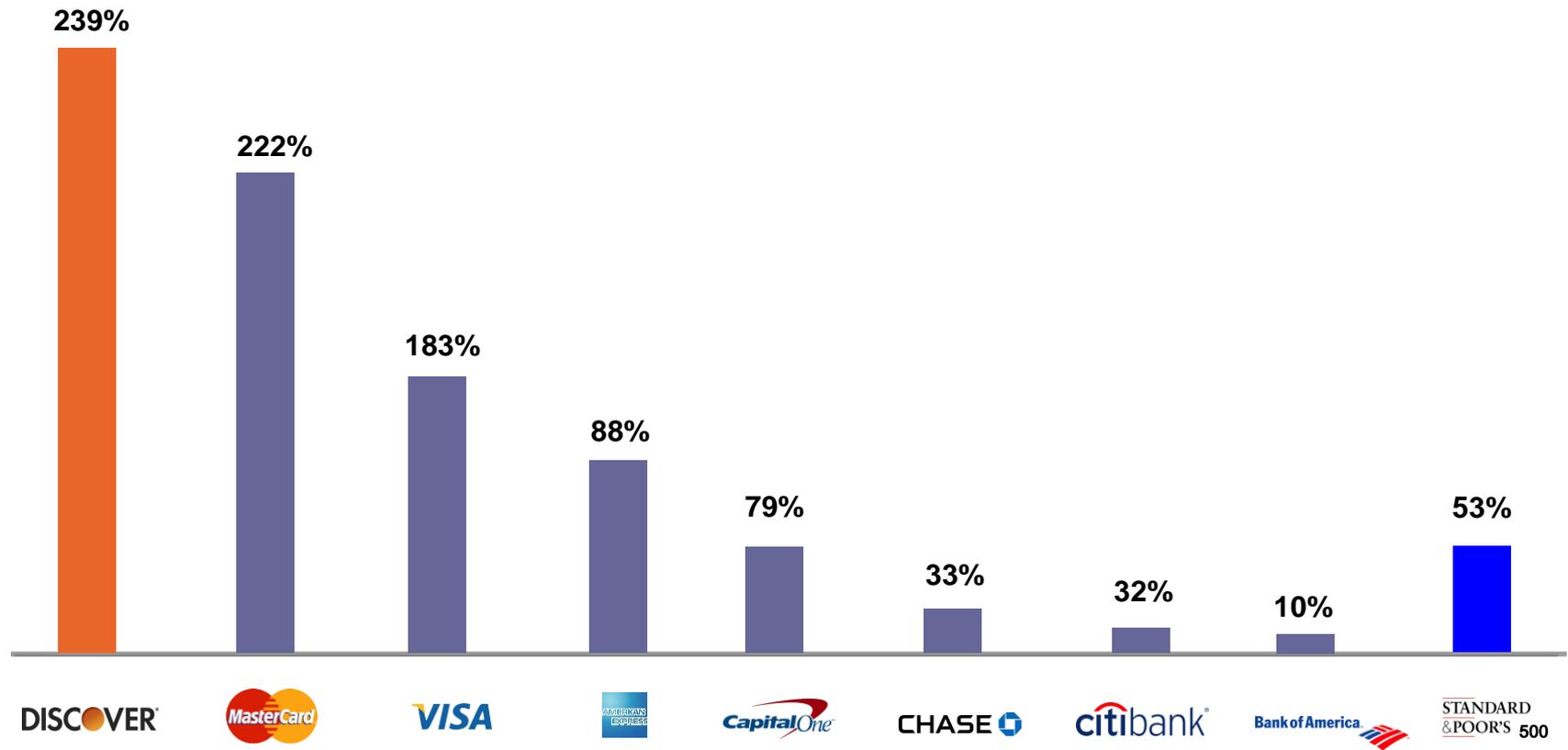
Source 1Q 2009 Brand Tracker Study, Millward Brown

Source 1Q 2013 Brand Tracker Study, Millward Brown

Note(s)  
 1. Recommend to a Friend - % of survey participants who strongly / somewhat agree with the statement "I would recommend to a friend"; among cardholders who say they use that brand's card most often to make purchases  
 2. Consideration - % of survey participants saying either "it would be my first choice" or "I would seriously consider it."; among general population

# Stock outperforming the market

## 3-Year Performance



## Customers are the lighthouse for True North

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- Defined the brand value proposition, personality and positioning
- Drove priorities and investments