

Discover Financial Services  
Form DEF 14A  
February 18, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No.     )**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

**DISCOVER FINANCIAL SERVICES**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

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2500 Lake Cook Road

Riverwoods, Illinois 60015

February 18, 2011

Dear Fellow Shareholder:

I cordially invite you to attend Discover Financial Services' 2011 Annual Meeting of Shareholders to be held at 9:00 a.m., local time, on April 7, 2011, at our corporate headquarters located at 2500 Lake Cook Road, Riverwoods, Illinois 60015.

All shareholders of record of our outstanding shares of Common Stock at the close of business on February 7, 2011 will be entitled to vote at the Annual Meeting.

**Your vote is important!** Whether or not you plan to attend the Annual Meeting, **please read the enclosed proxy statement and vote as soon as possible via the Internet, by telephone or, if you receive a paper Proxy Card or voting instruction form in the mail, by mailing the completed Proxy Card or voting instruction form.** Using the Internet or telephone voting systems or mailing your completed Proxy Card will not prevent you from voting in person at the meeting if you are a shareholder of record and wish to do so.

Important information about the matters to be acted upon at the meeting is included in the notice of meeting and proxy statement. Our 2010 Annual Report contains information about our Company and its financial performance.

I am very much looking forward to our 2011 Annual Meeting of Shareholders.

Very truly yours,

David W. Nelms

Chairman and Chief Executive Officer

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**NOTICE OF 2011 ANNUAL MEETING OF SHAREHOLDERS**

<b>Time and Date</b>	9:00 a.m., Local Time, on Thursday, April 7, 2011
<b>Place</b>	Discover Financial Services  2500 Lake Cook Road  Riverwoods, IL 60015
<b>Webcast</b>	A webcast of our Annual Meeting will be available on our website, <a href="http://www.discoverfinancial.com">www.discoverfinancial.com</a> , starting at 9:00 a.m., Local Time, on Thursday, April 7, 2011. Information included on our website, other than our Proxy Statement and form of proxy, is not a part of our proxy solicitation materials.
<b>Items of Business</b>	<p>(1) To elect 11 members of the Board of Directors named in the Proxy Statement, each for a term of one year.</p> <p>(2) To conduct an advisory (nonbinding) vote to approve named executive officer compensation.</p> <p>(3) To conduct an advisory (nonbinding) vote on the frequency of an advisory shareholder vote to approve named executive officer compensation.</p> <p>(4) To approve an amendment to the Discover Financial Services Directors' Compensation Plan.</p> <p>(5) To ratify the appointment of Deloitte &amp; Touche LLP as our independent registered public accounting firm.</p> <p>(6) To transact any other business as may properly come before the meeting or any adjournment or postponement of the meeting.</p>
<b>Record Date</b>	You are entitled to notice of and to vote at the meeting and at any adjournment or postponement of the meeting if you were a shareholder of record at the close of business on February 7, 2011.
<b>Materials to Review</b>	This booklet contains our Notice of Annual Meeting and 2011 Proxy Statement. Our 2010 Annual Report contains information about our Company and its financial performance. Our Annual Report is not a part of our proxy solicitation materials.
<b>Proxy Voting</b>	It is important that your shares be represented and voted at the Annual Meeting. You can vote your shares by completing and returning your Proxy Card or by voting on the internet or by telephone. See details under "How do I vote?" under the "Questions and Answers About the Annual Meeting and Voting" below.

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You are cordially invited to attend the Annual Meeting, but whether or not you expect to attend in person, you are urged to vote. Your prompt action will aid the Company in reducing the expense of proxy solicitation.

By Order of the Board of Directors,

Kathryn McNamara Corley

Executive Vice President, General Counsel and Secretary

February 18, 2011

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**DISCOVER FINANCIAL SERVICES**

2500 Lake Cook Road

Riverwoods, Illinois 60015

(224) 405-0900

**Proxy Statement**

The Board of Directors of Discover Financial Services is soliciting your proxy to vote at the Annual Meeting of Shareholders to be held on April 7, 2011, at 9:00 a.m., local time, and any adjournment or postponement of that meeting (the *Annual Meeting*). The Annual Meeting will be held at our corporate headquarters located at 2500 Lake Cook Road, Riverwoods, Illinois 60015. This Proxy Statement and the accompanying Proxy Card, Notice of Meeting, and Annual Report to Shareholders were first sent or made available on or about February 25, 2011 to shareholders of record as of February 7, 2011 (the *Record Date*). For those shareholders receiving a Notice of Internet Availability of Proxy Materials, the Notice of Internet Availability of Proxy Materials was first mailed on or about February 25, 2011 to shareholders of record as of the Record Date. The only voting securities of the Company are shares of our Common Stock, \$0.01 par value per share (the *Common Stock*), of which there were 545,246,937 shares outstanding as of the Record Date (excluding treasury stock). We need a majority of the shares of Common Stock outstanding on the Record Date present, in person or by proxy, to hold the Annual Meeting.

In this Proxy Statement, we refer to Discover Financial Services as the *Company*, *Discover*, *we*, *our* or *us* and the Board of Directors as the *Board*. When we refer to our fiscal year, we mean the twelve-month period ending November 30 of the stated year (for example, fiscal 2010 is December 1, 2009 through November 30, 2010). When we refer to the *Spin-off*, we mean the distribution of our Common Stock to shareholders of Morgan Stanley (*Morgan Stanley*), our former parent company, on June 30, 2007.

Our Annual Report to Shareholders, which contains our Annual Report on Form 10-K, including consolidated financial statements for fiscal 2010, accompanies this Proxy Statement. Our Annual Report is not a part of our proxy solicitation materials. You also may obtain a copy of our Annual Report on Form 10-K for fiscal 2010 that was filed with the Securities and Exchange Commission (*SEC*), without charge, by writing to or telephoning our Investor Relations department at the above address or telephone number. Our Annual Report on Form 10-K is also available in the *Investor Relations* section of [www.discoverfinancial.com](http://www.discoverfinancial.com).

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

***Why Did I Receive These Materials?***

Shareholders of the Company at the close of business on the Record Date are entitled to vote at the Annual Meeting. This Proxy Statement provides notice of the Annual Meeting, describes the five proposals presented for shareholder action and includes information required to be disclosed to shareholders. The accompanying proxy card (the *Proxy Card*) provides shareholders with a simple way to vote on the described proposals without having to attend the Annual Meeting in person.

***Can I Attend The Annual Meeting?***

Yes. To gain admission to the Annual Meeting, you will need to show that you are a shareholder of the Company. All shareholders will be required to show valid, government-issued, picture identification or an employee badge issued by the Company. If your shares are registered in your name, your name will be compared



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to the list of registered shareholders to verify your share ownership. If your shares are held in the name of your broker or bank, you will need to bring evidence of your share ownership, such as your most recent brokerage account statement or a legal proxy from your broker. If you do not have valid picture identification and proof that you own Company shares, you will not be admitted to the Annual Meeting. In the interest of security, all packages and bags are subject to inspection. Please arrive before the start of the Annual Meeting to allow time for identity verification. You may also listen to a live audio webcast of the Annual Meeting at [www.discoverfinancial.com](http://www.discoverfinancial.com).

### ***What Proposals Am I Being Asked To Vote On?***

1. The election of the Directors named in this Proxy Statement. (See Proposal 1 on page 6 for more information.)
2. An advisory (nonbinding) vote to approve named executive officer compensation. (See Proposal 2 on page 49 for more information.)
3. An advisory (nonbinding) vote on the frequency of the advisory vote to approve named executive officer compensation. (See Proposal 3 on page 50 for more information.)
4. Approval of an Amendment to the Discover Financial Services Directors Compensation Plan. (See Proposal 4 on page 50 for more information.)
5. The ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm. (See Proposal 5 on page 53 for more information.)

### ***How Does The Board Of Directors Recommend That I Vote?***

1. For the election of the Directors named in this Proxy Statement.
2. For the approval, on an advisory basis, of named executive officer compensation.
3. For the approval, on an advisory basis, of a triennial advisory vote to approve named executive officer compensation.
4. For approval of an Amendment to the Discover Financial Services Directors Compensation Plan.
5. For the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm.

### ***What Does It Mean If I Receive More Than One Set Of Materials?***

This means you hold shares of the Company in more than one way. For example, you may own some shares directly as a registered holder and other shares through a broker or you may own shares through more than one broker. In these situations you may receive multiple sets of proxy materials. In order to vote all of the shares you own, you must follow the voting procedures on each Notice of Internet Availability of Proxy Materials that you receive or sign and return all of the Proxy Cards that you receive. Each Proxy Card you receive comes with its own prepaid return envelope. If you vote by mail, make sure you return each Proxy Card in the return envelope which accompanied that Proxy Card.

### ***Does My Vote Matter?***

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**YES!** We are required to obtain shareholder approval for the election of Directors and other important matters. Each share of Common Stock is entitled to one vote and every share voted has the same weight. In order for the Company to obtain the necessary shareholder approval of proposals, a quorum of shareholders (i.e., a majority of the issued and outstanding shares entitled to vote, excluding treasury stock) must be represented at the Annual Meeting in person or by proxy. If a quorum is not obtained, the Company must postpone the Annual Meeting and

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solicit additional proxies; this is an expensive and time-consuming process that is not in the best interests of the Company or its shareholders. Since few shareholders can spend the time or money to attend shareholder meetings in person, voting by proxy is important to obtain a quorum and complete the shareholder vote.

### ***How Do I Vote?***

You may vote using any of the following methods:

***By Internet or telephone.*** The Internet and telephone voting procedures we established for shareholders of record are designed to authenticate your identity, allow you to give your voting instructions and confirm that these instructions have been properly recorded. The availability of Internet and telephone voting for beneficial owners will depend on the voting processes of your broker, bank or nominee. Therefore, we recommend that you follow the voting instructions in the materials you receive.

***Proxy card.*** Be sure to complete, sign and date the card and return it in the prepaid envelope. If you are a shareholder of record and you return your signed Proxy Card without indicating your voting preferences, the persons named in the Proxy Card will vote FOR the election of Directors, FOR the advisory vote to approve named executive officer compensation, FOR the approval, on an advisory basis, of a triennial advisory vote to approve named executive officer compensation, and FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2010.

By voting by Internet or telephone, or by returning your signed and dated Proxy Card in time to be received for the Annual Meeting, you authorize Kathryn McNamara Corley and Simon Halfin (the *Proxies*) to act as your proxies to vote your shares of Common Stock as specified.

***In person at the Annual Meeting.*** All shareholders may vote in person at the Annual Meeting. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or nominee and present it to the inspectors of elections with your ballot when you vote at the meeting.

### ***How Many Votes Are Required To Approve A Proposal?***

Each Director will be elected by a majority of the votes cast with respect to such Director. A majority of the votes cast means that the number of votes cast for a given Director exceeds the number of votes cast against that Director. Under Delaware law, if the Director is not elected at the Annual Meeting, the Director will continue to serve on the Board as a holdover Director. As required by the Company's By-Laws, each Director has submitted an irrevocable letter of resignation as Director that becomes effective if he or she is not elected by shareholders and if the Board accepts the resignation. If a Director is not elected, the Nominating and Governance Committee will consider the Director's resignation and recommend to the Board whether to accept or reject the resignation. The Board will decide whether to accept or reject the resignation and publicly disclose its decision and, if it rejects the resignation, the rationale behind the decision within 90 days after the election results are certified.

The ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm, the advisory vote to approve named executive officer compensation and the vote to approve an amendment to the Directors' Compensation Plan each requires the affirmative vote of a majority of the shares of Common Stock represented at the Annual Meeting and entitled to vote thereon. The advisory vote on the frequency of the shareholder advisory vote to approve named executive officer compensation will be determined by a plurality of the votes cast.

You may abstain from voting on any of the proposals in this proxy statement. Shares voting abstain on any nominee for Director will be excluded entirely from the vote and will have no effect on the election of Directors. Shares voting abstain on the advisory vote to approve named executive officer compensation, on the

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proposal to approve an amendment to the Directors' Compensation Plan and on the proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm, will be counted as present at the Annual Meeting for purposes of that proposal and your abstention will have the effect of a vote against the applicable vote or proposal. Shares voting 'abstain' on the advisory vote on the frequency of the shareholder advisory vote to approve named executive compensation will be counted as present at the Annual Meeting for purposes of that proposal and your abstention will have no effect on this vote.

### ***What Is The Effect Of Not Voting?***

The effect of not voting depends on how ownership of your shares is registered and the proposal to be voted upon. If you own shares as a registered holder, rather than through a broker, your unvoted shares will not be represented at the Annual Meeting and will not count toward the quorum requirement. Except as described below, assuming a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected.

If you own shares through a broker and do not vote, your broker may represent your shares at the Annual Meeting for purposes of obtaining a quorum. As described in the answer to the following question, in the absence of your voting instruction, your broker may or may not vote your shares.

### ***If I Don't Vote, Will My Broker Vote For Me?***

If you own your shares through a broker and you don't vote, your broker may vote your shares at its discretion on certain 'routine matters.' The Company believes that the ratification of the appointment of Deloitte and Touche LLP as our independent registered public accounting firm is a 'routine matter' on which brokers will be permitted to vote any unvoted shares. With respect to other proposals, however, your broker may not be able to vote your shares for you and the aggregate number of unvoted shares is reported as the 'broker non-vote.' Broker non-vote shares are counted toward the quorum requirement but they do not affect the determination of whether a matter is approved.

The Company believes that the election of Directors, the advisory vote on named executive officer compensation, the advisory vote on the frequency of the advisory vote to approve named executive officer compensation and the approval of an amendment to the Directors' Compensation Plan are not 'routine matters' and brokers will not be permitted to vote any unvoted shares on those matters.

### ***If I Own My Shares Through A Broker, How Is My Vote Recorded?***

Brokers typically hold shares of Common Stock for many shareholders. In this situation the registered holder on the Company's stock register is the broker or its nominee. This often is referred to as holding shares in 'street name.' The 'beneficial owners' do not appear in the Company's shareholder register. Therefore, for shares held in street name, distributing the proxy materials and tabulating votes are both two-step processes. Brokers inform the Company how many of their clients are beneficial owners and the Company provides the broker with that number of proxy materials. Each broker then forwards the proxy materials to its clients who are beneficial owners to obtain their votes. When you receive proxy materials from your broker, your vote is sent to your broker. Shortly before the meeting, each broker totals the votes and submits a Proxy Card reflecting the aggregate votes of the beneficial owners for whom it holds shares.

### ***If I Own My Shares In The Discover Financial Services 401(k) Plan, How Is My Vote Recorded?***

The Bank of New York Mellon ( 'Mellon' ), the trustee and custodian of the Discover 401(k) Plan, must receive your voting instructions for the Common Stock held on your behalf in this plan on or before April 4, 2011. If Mellon does not receive your voting instructions by that date, it will vote your shares, together with forfeited shares in the Discover 401(k) Plan, in the same proportion as the voting instructions that it receives from other Discover 401(k) Plan participants. On February 7, 2011, there were 3,358,513 shares in the Discover 401(k) Plan.

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### ***Are My Votes Confidential?***

Yes. The vote of any shareholder will not be revealed to anyone other than a non-employee tabulator of votes or an independent election inspector, except (i) as necessary to meet legal requirements or to assist in the pursuit or defense of legal action; (ii) if the Company concludes in good faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots or votes, or as to the accuracy of any tabulation of such proxies, ballots or votes; (iii) in the event of a proxy, consent or other solicitation in opposition to the voting recommendation of the Board of Directors; or (iv) if you request, or consent to disclosure of your vote or if you write comments on your Proxy Card or ballot.

### ***Can I Revoke My Proxy And Change My Vote?***

Yes. You have the right to revoke your proxy at any time prior to the time your shares are voted. If you are a registered holder, your proxy can be revoked in several ways: (i) by timely delivery of a written revocation to the Corporate Secretary; (ii) by submitting another valid proxy bearing a later date (including by voting on the Internet or telephone or mailing a new Proxy Card); or (iii) by attending the meeting and giving notice to the Company's inspectors of elections (the *Inspectors of Elections*) that you intend to vote your shares in person. If you are the beneficial owner of shares held by a broker, you must contact your broker in order to revoke your proxy.

### ***Will Any Other Business Be Transacted At The Meeting? If So, How Will My Proxy Be Voted?***

Management does not know of any business to be transacted at the Annual Meeting other than the matters described in this Proxy Statement. The period specified in the Company's By-Laws for submitting additional proposals to be considered at the meeting has passed and there are no such proposals to be considered. However, should any other matters properly come before the Annual Meeting, or any adjournments and postponements thereof, shares to which voting authority has been granted to the Proxies will be voted by the Proxies in accordance with their judgment.

### ***Who Counts The Votes?***

Votes will be counted and certified by the Inspectors of Elections, who are employees of BNY Mellon Shareowner Services, the Company's independent transfer agent and registrar. If you are a registered holder, your executed Proxy Card is returned directly to BNY Mellon Shareowner Services for tabulation. As noted above, if you hold your shares through a broker, your broker returns one Proxy Card to BNY Mellon Shareowner Services on behalf of all its clients.

### ***How Much Does The Proxy Solicitation Cost?***

The largest expense in the proxy process is printing and mailing the proxy materials. We also reimburse brokers, fiduciaries and custodians for their costs in forwarding proxy materials to beneficial owners of our Common Stock. Proxies may be solicited on behalf of the Company by directors, officers or employees of the Company in person or by mail, telephone, over the Internet or facsimile transmission. No additional compensation will be paid to such directors, officers, or employees for soliciting proxies. The Company will bear the entire cost of solicitation of proxies, including the preparation, assembly, printing and mailing of this Proxy Statement and the accompanying Proxy Card, Notice of Annual Meeting and Annual Report to Shareholders. The Company has retained BNY Mellon Shareowner Services to assist with the solicitation of proxies from certain shareholders, for which services BNY Mellon Shareowner Services will receive a fee that is expected to be about \$7,500 plus reimbursement for certain expenses.

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**PROPOSAL 1**

**Election of Directors**

Our Board currently has eleven directors. The entire Board stands for election at each annual meeting of shareholders. Each director holds office until his or her successor has been duly elected and qualified or the director's earlier resignation, death or removal. The nominees are all current directors of Discover Financial Services, and each nominee has indicated that he or she will serve if elected. We do not anticipate that any nominee will be unable or unwilling to stand for election, but if that happens, your proxy will be voted for another person nominated by the Board. The Board may also choose to reduce the number of directors to be elected, as permitted by our By-laws. Below are descriptions of the experience, qualifications, attributes and skills of each of the Company's director nominees.

The Board believes that an effective board consists of a diverse group of individuals who bring a variety of complementary skills and experiences. The Nominating and Governance Committee and Board consider the skills and experiences of the directors in the broader context of the Board's overall composition, with a view toward constituting a board that has the best skill set and experience to oversee the Company's business. As indicated below, our directors have a combined wealth of leadership experience derived from extensive service guiding large, complex organizations as executive leaders or board members, and in government and academia. They have substantive knowledge and skills applicable to our business, including in the areas of regulation, public accounting and financial reporting, finance, risk management, business development, marketing, operations, strategic planning, management development and succession, compensation, corporate governance, public policy, international, banking, and financial services. The Nominating and Governance Committee regularly reviews the composition of the Board in light of our evolving business requirements and its assessment of the Board's performance to ensure that the Board has the appropriate mix of skills and experiences needed for the broad set of challenges that it confronts.

**Information Concerning Nominees for Election as Directors**

**Jeffrey S. Aronin, 43.** Director since 2007. Mr. Aronin is chairman and chief executive officer of Paragon Pharmaceuticals, a global development and biopharmaceutical investment firm. From 2000 to 2009, Mr. Aronin was president and chief executive officer of Ovation Pharmaceuticals Inc., a biopharmaceutical company he founded in 2000. In 2009, Ovation Pharmaceuticals was acquired by Lundbeck, Inc. Mr. Aronin served as president and chief executive officer of Lundbeck, Inc. in 2009 during its acquisition and integration of Ovation Pharmaceuticals. He is the former chairman and chief executive officer at MedCare Technologies Inc., a publicly held healthcare company.

Mr. Aronin has experience as a chief executive officer leading a global pharmaceutical company. His skills include knowledge of strategy and business development, finance, and marketing. He brings valuable leadership experience and knowledge in operations and the day-to-day management of a global corporation. Mr. Aronin also has experience in the structuring and execution of strategic corporate transactions, including mergers and acquisitions.

**Mary K. Bush, 62.** Director since 2007. Ms. Bush has served as the president of Bush International, a financial and business strategy advisory firm, since 1991 and as senior managing director of Brock Capital Group, LLC, an advisory and investment banking firm, since 2010. Ms. Bush is a member of the board of directors of ManTech International Corporation, Marriott International and The Pioneer Family of Mutual Funds. In the past five years, she has also served as a director of UAL Corporation, Brady Corporation, Briggs & Stratton, MGIC Investment Corporation and Mortgage Guaranty Investment Corporation.

Ms. Bush brings extensive financial market, banking, government and international experience to the Board. She is the founder and president of Bush International, which advises U.S. companies and foreign governments

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on international financial markets, banking and economic matters. Prior to that, she served as managing director of the Federal Housing Finance Board, where she established financial policies and oversaw management and safety and soundness for the 12 Federal Home Loan Banks. She also has acted as vice president and head of International Finance of Fannie Mae and the U.S. Alternate Executive Director of the International Monetary Fund Board. In 2007, she served on the U.S. Department of the Treasury's Advisory Commission on the Auditing Profession. Ms. Bush brings a broad understanding of the operations and business and economic challenges of public companies and the financial services industry.

**Gregory C. Case, 48.** Director since 2007. Mr. Case has been president and chief executive officer of Aon Corporation since 2005 and is a member of the company's Board of Directors. Prior to joining Aon, Mr. Case was with McKinsey & Company, the international management consulting firm, for 17 years, most recently serving as head of the Financial Services Practice. Prior to joining McKinsey, he worked for the investment banking firm of Piper, Jaffray and Hopwood and the Federal Reserve Bank in Kansas City.

Mr. Case has approximately 20 years experience in the insurance and financial services industries, including as the chief executive officer of Aon, a global provider of risk management services, insurance and reinsurance brokerage and through his management consulting and banking experience. He brings valuable leadership experience and knowledge in business operations and the day-to-day management of a large global financial corporation. His skills include strategy and business development, risk management and people management.

**Robert M. Devlin, 69.** Director since 2007. Mr. Devlin is chairman of Curragh Capital Partners, a private equity and investment firm he founded in 2002. He is a principal owner and a director of Forethought Financial Group Inc., a life insurance and financial services company. He was chairman, president and chief executive officer of American General Corporation from 1996 to 2001. He also is a director of Cooper Industries and LKQ Corporation.

Mr. Devlin has expertise in marketing and finance and knowledge of consumer markets based on his experience in diversified financial service organizations. He also has significant experience in mergers and acquisitions, corporate finance and cost reduction and containment as chairman of a private equity firm. He also brings valuable leadership experience and knowledge in operations and the day-to-day management of a global corporation. Finally, with his extensive career in management, he has experience in general management with regard to people, structure and systems.

**Cynthia A. Glassman, Ph.D., 63.** Director since 2009. Dr. Glassman was appointed by President Bush as Under Secretary for Economic Affairs at the U.S. Department of Commerce from 2006 to 2009 and as Commissioner of the U.S. Securities and Exchange Commission from 2002-2006. Dr. Glassman is a director of Navigant Consulting, Inc. She also is a Senior Research Scholar at the Institute for Corporate Responsibility at the George Washington University School of Business.

Dr. Glassman brings extensive regulatory, governance, risk management, financial services and banking experience to the Board. She holds a Ph.D. in economics and has spent over 35 years in the public and private sectors focusing on financial services regulatory and public policy issues, including 12 years at the Federal Reserve and 15 years in financial services consulting. Through her experience, she brings a thorough and insightful perspective to a wide range of banking, financial, risk management, regulatory, and corporate governance issues.

**Richard H. Lenny, 59.** Director since 2009. Mr. Lenny was chairman, president and chief executive officer of The Hershey Company, a manufacturer, distributor and marketer of chocolate and non-chocolate candy, snacks and candy-related grocery products, from March 2001 until his retirement in December 2007. From 1998 to 2001, Mr. Lenny was President of Nabisco Biscuit Company, which became a subsidiary of Kraft Foods, Inc. in 2000. Mr. Lenny is a director of McDonald's Corporation and ConAgra Foods. In the last five years, he also served as a director of The Hershey Company and Sunoco Inc.

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Mr. Lenny has experience as a chief executive officer for a global retail company that is a major consumer brand. Mr. Lenny's skills include knowledge of strategy and business development, finance, marketing and consumer insights. He has extensive marketing experience with strong consumer brands that is of critical importance to Discover. He also brings valuable leadership experience and knowledge in operations and the day-to-day management of a large global corporation.

**Thomas G. Maheras, 48.** Director since 2008. Mr. Maheras has been the founding partner of Tegean Capital Management, LLC since 2008. Mr. Maheras was chairman and co-chief executive officer of Citigroup Inc.'s Markets and Banking in 2007. From 2004 to 2007, Mr. Maheras was chief executive officer of global capital markets at Citigroup. Mr. Maheras was formerly chairman of the U.S. Treasury Borrowing Advisory Committee and a director of the Securities Industry and Financial Markets Association.

Mr. Maheras has extensive risk management, banking and capital markets experience, including 23 years at Citi where his responsibilities included leading the global capital markets business. He also brings valuable leadership experience and knowledge in operations and the day-to-day management of a global financial services organization. Mr. Maheras' financial background and banking and financial services experience includes a knowledge of financial statements, corporate finance, accounting and capital markets.

**Michael H. Moskow, 73.** Director since 2007. Mr. Moskow retired as president and chief executive officer of the Federal Reserve Bank of Chicago in 2007, where he had served since 1994. Mr. Moskow serves on the board of directors of Northern Trust Mutual Funds, Taylor Capital Group Inc., and Commonwealth Edison Company, a subsidiary of Exelon Corporation. In the past five years, he has also served as a director of Diamond Management and Technology Consultants.

Mr. Moskow brings extensive regulatory, financial services and banking experience to the Board and has extensive knowledge of the economy and financial markets. He is currently vice chairman & senior fellow on the global economy at The Chicago Council on Global Affairs. From 1993 to 1994, he was a full-time faculty member at Northwestern University (Kellogg School of Management). Prior to teaching at Northwestern, Mr. Moskow was a Deputy U.S. Trade Representative, following his appointment by President Bush in 1991. From 1969 to 1977, he held a number of senior positions with the U.S. government, including undersecretary of labor at the U.S. Department of Labor, director of the Council on Wage and Price Stability and senior staff economist with the Council of Economic Advisers. Through his senior regulatory positions, particularly in the financial services arena, and service on the boards of other financial institutions, he brings a thorough and insightful perspective to a wide range of banking, financial, regulatory and risk management issues.

**David W. Nelms, 50.** Director since 1998 and Chairman since 2009. Mr. Nelms has served as our chief executive officer since 2004 and was president and chief operating officer from 1998 to 2004. Mr. Nelms was also our Chairman from 2004 until the Spin-Off. Prior to joining Discover, Mr. Nelms worked at MBNA America Bank from 1991 to 1998, most recently as a vice chairman. From 1990 to 1991, Mr. Nelms was a senior product manager for Progressive Insurance. From 1986 to 1990, Mr. Nelms was a management consultant with Bain & Company.

Mr. Nelms' deep understanding of the Company's business and industry provides critical expertise to the Company and makes him well-qualified to serve as Chairman. Prior to his current position, Mr. Nelms served as president and chief operating officer of the Company. He also brings valuable leadership experience and knowledge in operations and the day-to-day management of a global financial corporation.

**E. Follin Smith, 51.** Director since 2007. Ms. Smith retired from Constellation Energy Group, Inc. in May 2007 where she was executive vice president, chief financial officer and chief administrative officer. Ms. Smith joined Constellation Energy Group as senior vice president, chief financial officer in June 2001 and was appointed chief administrative officer in December 2003. She serves on the board of directors of Ryder System, Inc.

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Ms. Smith has experience as chief financial officer and chief administrative officer of public companies. She has extensive senior management experience, including through her service as senior vice president and chief financial officer of Armstrong Holdings, Inc. and senior financial positions with General Motors, including chief financial officer for the company's Delphi Chassis System division. Ms. Smith's strong risk management, financial and accounting background, gained through her experience as a chief financial officer includes a thorough knowledge of financial statements, corporate finance, and accounting that is of significant value to the Company. Her skills also include oversight of human resources, risk management, legal and information technology functions.

**Lawrence A. Weinbach, 71.** Director since 2007 and Lead Director since 2009. Mr. Weinbach has been chairman of Great Western Products Holdings LLC, a manufacturer and master distributor of food and nonfood concession products, since January 2009 and has been a managing director of Yankee Hill Capital Management LLC, a private equity firm, since 2006. Prior to that, he was the executive chairman of Unisys Corporation, a worldwide information services and technology company, from 2005 to 2006, and its chairman and chief executive officer from 1997 to 2004. Mr. Weinbach serves on the board of directors of Avon Products, Inc. In the last five years, he also served as a director of Quadra Realty Trust and UBS, AG.

Mr. Weinbach has experience in the financial and accounting industry and the information technology and financial services sectors. He began his career in 1961 at Arthur Andersen, ultimately serving as managing partner and chief executive of Andersen Worldwide, a global professional services organization, which included Arthur Andersen and the company known as Accenture from 1989 to 1997. Mr. Weinbach's strong financial background, gained through his private equity, accounting, investment banking and financial services experience, includes knowledge of risk management, governance, financial statements, corporate finance, accounting and capital markets. As a former chief executive officer, he also brings valuable leadership experience and knowledge in operations and the day-to-day management of a global corporation.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF ALL OF THE ELEVEN DIRECTOR NOMINEES: JEFFREY S. ARONIN, MARY K. BUSH, GREGORY C. CASE, ROBERT M. DEVLIN, CYNTHIA A. GLASSMAN, RICHARD H. LENNY, THOMAS G. MAHERAS, MICHAEL H. MOSKOW, DAVID W. NELMS, E. FOLLIN SMITH AND LAWRENCE A. WEINBACH. PROXIES SOLICITED BY OUR BOARD WILL BE VOTED FOR THESE NOMINEES UNLESS OTHERWISE INSTRUCTED.**

## **CORPORATE GOVERNANCE**

### **Director Independence**

The Board of Directors has adopted our Corporate Governance Policies, which contain the director independence guidelines. The Board uses these guidelines to assist it in determining whether or not directors qualify as independent pursuant to the guidelines and the requirements set forth in the New York Stock Exchange's Corporate Governance Rules ( *Rules* ). In each case, the Board broadly considers all relevant facts and circumstances and applies the guidelines and the Rules in determining whether or not directors qualify as independent. Our Corporate Governance Policies are available in the Investor Relations section of [www.discoverfinancial.com](http://www.discoverfinancial.com) and are available in print free of charge to any shareholder who requests a copy. Pursuant to our Corporate Governance Policies and the Rules, the Board reviewed the independence of all of our current directors.

During this review, the Board considered transactions and relationships between each Director or any member of his or her immediate family (or any entity of which a Director or an immediate family member is an executive officer, general partner or significant equity holder) and the Company and its subsidiaries and affiliates. The Board also considered whether there were any transactions or relationships between Directors or any member of their immediate family and members of the Company's senior management. The purpose of this review was to determine whether any such relationships or transactions existed that were inconsistent with a determination that the Director is independent.

