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Discover Financial Services  
Form 11-K  
June 24, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-33378

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

DISCOVER FINANCIAL SERVICES 401(k) PLAN

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

DISCOVER FINANCIAL SERVICES

2500 Lake Cook Road

Riverwoods, Illinois 60015

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DISCOVER FINANCIAL SERVICES 401(k) PLAN

December 31, 2014 and 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and the Participants of  
Discover Financial Services 401(k) Plan  
Riverwoods, Illinois

We have audited the accompanying statements of net assets available for benefits of the Discover Financial Services 401(k) Plan as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014 in conformity with U.S. generally accepted accounting principles.

The supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2014 has been subjected to audit procedures performed in conjunction with the audit of Discover Financial Services 401(k) Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information presented in the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Crowe Horwath LLP  
Oak Brook, Illinois  
June 22, 2015

DISCOVER FINANCIAL SERVICES 401(k) PLAN  
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
 As of December 31, 2014 and 2013

	December 31, 2014	2013
<b>ASSETS</b>		
Participant-directed investments, at fair value	\$1,044,770,592	\$914,265,617
Receivables:		
Notes receivable from participants	26,115,904	24,611,601
Employer contributions	23,972,881	22,622,398
Participant contributions	—	613
Receivables for securities sold	227,871	206,464
Accrued investment income	178,951	81,079
Total receivables	50,495,607	47,522,155
Total assets	1,095,266,199	961,787,772
<b>LIABILITIES</b>		
Payables for securities purchased	217,187	114,173
Other accrued liabilities	286,987	118,188
Total liabilities	504,174	232,361
NET ASSETS REFLECTING ALL INVESTMENTS AT FAIR VALUE	1,094,762,025	961,555,411
Adjustment from fair value to contract value for fully benefit-responsive stable value fund	(970,145	) (542,468 )
NET ASSETS AVAILABLE FOR BENEFITS	\$1,093,791,880	\$961,012,943

See notes to financial statements

DISCOVER FINANCIAL SERVICES 401(k) PLAN  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 For the Year Ended December 31, 2014

	2014
<b>ADDITIONS:</b>	
Contributions:	
Participant contributions	\$55,697,325
Rollover contributions	4,133,298
Employer contributions	51,372,207
Total contributions	111,202,830
Investment income:	
Net appreciation in fair value of investments	79,774,042
Dividends and interest income	5,377,772
Net investment income	85,151,814
Total additions	196,354,644
<b>DEDUCTIONS:</b>	
Benefits paid to participants	63,087,203
Administrative expenses	488,504
Total deductions	63,575,707
INCREASE IN NET ASSETS	132,778,937
<b>NET ASSETS AVAILABLE FOR BENEFITS:</b>	
Beginning of year	961,012,943
End of year	\$1,093,791,880

See notes to financial statements

## DISCOVER FINANCIAL SERVICES 401(k) PLAN

### NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2014 and 2013 and for the year ended December 31, 2014

#### 1. DESCRIPTION OF THE PLAN

The following description of the Discover Financial Services 401(k) Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information. Terms used in this description have the same meaning as in the Plan document.

##### General

The Plan was adopted by Discover Financial Services (the "Company") effective July 1, 2007 for its eligible employees and the eligible employees of its participating affiliated employers. The Plan is a profit-sharing plan for purposes of section 401(a)(27) of the Internal Revenue Code of 1986 (the "Code"). The Plan is also an eligible individual account plan within the meaning of Section 407(d)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Plan provides for the acquisition and holding of "qualifying employer securities" as defined in ERISA section 407(d)(5). Up to 100% of the Plan's assets may be invested in qualifying employer securities. The portion of the Plan's assets invested in qualifying employer securities is designated as an "employee stock ownership plan" ("ESOP") under Code section 4975(e)(7).

All of the Plan's investments are held in a trust account at The Bank of New York Mellon (the "Custodian"). The general administration of the Plan is placed in the "Plan Administrator" defined under the Plan as the Employee Benefits Committee.

##### Eligibility

Full-time and part-time (regularly scheduled to work 20 hours or more a week) employees of the Company, and of participating employers electing to participate in the Plan, are eligible to participate in the Plan upon hire. Other employees of the Company including those regularly scheduled to work less than 20 hours per week and temporary employees are eligible to participate after completing one year of service, as defined in the Plan, and attaining age 21. The Plan provides for automatic enrollment and automatic escalation of pre-tax contributions of participants who do not elect to opt out of participation.

##### Participant Contributions

Each year, participants may contribute up to 30% of pre-tax annual compensation, as defined in the Plan and subject to certain limitations. A Non-Highly Compensated Employee may make After-Tax Contributions to the Plan for any year equal to any whole percentage from 1% to 10% of the Participant's Earnings as defined in the Plan and subject to certain limitations. Participants may also contribute amounts representing pre-tax distributions from other qualified defined benefit or defined contribution plans. Participants age 50 and over can make catch-up contributions subject to limitations. Different limits apply in the case of Puerto Rico residents and participants returning from a qualified military service leave.

##### Employer Contributions

The Company contributes a fixed 3% of eligible pay and matches 100% on the first 2% of eligible pay (as defined in the Plan) employees contribute on a pre-tax basis, plus 50% on the next 4% of eligible pay employees contribute on a pre-tax basis, subject to certain limitations. All participating employees who have made pre-tax contributions of at least 6% of annual earnings are eligible for an adjustment match at year end. The adjustment match will be equal to the difference between the maximum company match the participant is eligible to receive and the matching contributions credited to the participant's account during the plan year, whether or not a plan limit was reached during the year.

The Company matching contributions are made as soon as is administratively practicable following the end of the payroll period, generally bi-weekly, based on employee pre-tax contributions. The Company fixed contributions are made annually based on eligible pay.

##### Participant Accounts

Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, allocations of the Company's contribution and Plan earnings, and charged with the participant's withdrawals, an allocation of Plan losses and administrative expenses not otherwise paid by the

Company. Allocations are based on the participant's balance or earnings, other than participant-directed transactions that may have individual fees. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

#### Retirement, Death and Disability

A participant, or beneficiary, is entitled to 100% of his or her account balance upon retirement, death, disability or certain reductions in force as provided in the Plan.

#### Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the remainder of their accounts, plus earnings thereon, is based on years of service. A participant is 100% vested after two years of service, as defined in the Plan.

#### Forfeitures

Any nonvested matching contributions or Company fixed contributions credited to a participant's account shall be forfeited as of the end of the month in which the participant terminates employment. These forfeitures are used to offset future employer contributions to the Plan or to pay Plan expenses. During the year ended December 31, 2014, employer contributions were reduced by \$2,200,000 from forfeited nonvested accounts.

#### Investments

The Retirement Plan Investment Committee of the Company is responsible for the selection and monitoring of the Plan's investment options, other than the Company Stock Fund, which is maintained pursuant to the terms of the Plan. In addition to the Company Stock Fund, the investment options of the Plan include Collective Trusts, Mutual Funds and the Separately Managed Fund. Plan participants direct the investment of their account balances into the various investment options offered by the Plan. Company matching contributions for the 2014 Plan year were made in cash and invested in accordance with the participant's investment direction on file, or if none, in the T. Rowe Price target year fund closest to the year in which the participant will reach age 65. Company contributions may be made in cash or in the common stock of the Company, at the Company's discretion.

#### Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their employer contributions and earnings thereon.

#### Loans to Participants

Generally, participants may borrow from their Plan accounts up to the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account. Currently, loan interest rates are set at prime interest rate plus 1% under the Plan's loan guidelines. With the exception of certain transferred loans, a participant may only have one outstanding loan in his or her Plan account at any time. Interest income is recognized over the life of the loan.

#### Payment of Benefits

Participants may elect to receive all or a portion of their vested Plan account balance following termination of employment.

#### Non-hardship Withdrawals

While a participant is employed by the Company, they may withdraw any or all vested portions of their Plan account upon attaining age 59 1/2. Participants may also withdraw their after-tax contributions at any time. Withdrawals are limited to two per calendar year.

#### Hardship Withdrawals

Participants may withdraw any or all vested portions of their Plan account, other than any portions related to fixed Company contributions or qualified non-elective employer contributions, in the event of a hardship, as defined in the Plan.

Payments of benefits from the Plan are generally made in cash. A participant may elect to receive his or her interest in the Company Stock Fund in the form of stock certificates. A participant has the option to reinvest dividends from the Company Stock Fund in additional shares of Company stock or receive a cash payout.



Included in net assets available for benefits are amounts allocated to individuals who have elected to withdraw from the Plan, but who have not yet been paid. Plan assets allocated to these participants and elected to be withdrawn were \$623,571 and \$428,755 at December 31, 2014 and 2013, respectively.

#### Administrative Expenses

Administrative expenses of the Plan are paid by either the Plan or the Company as provided in the Plan document. In 2014, the majority of administrative expenses were paid directly by the Company.

#### Plan Amendments

The Plan was amended, effective January 1, 2013, to change the timing of matching and fixed contributions made by the Company. The Plan was amended, effective January 1, 2015, to clarify (1) the effective date of the definition of spouse and (2) that the Company Stock Fund shall be maintained for so long as investments in the Company Stock Fund are consistent with the provisions of ERISA Section 404(a)(1)(D).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Plan are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from the estimates and assumptions used.

#### Risks and Uncertainties

The Plan utilizes various investment options. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

#### Investment Valuation

The Plan's investments are stated at fair value. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following provides a description of methodologies used in valuing the Plan's assets at fair value:

#### Company Common Stock

Company common stock is valued at the closing price reported on the stock exchange market on the last business day of the Plan year.

#### Mutual Funds

These investments are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

#### Collective Trusts

These investments are not traded on an active market, but instead are valued using the NAV provided by the administrator of the fund. The unit price is based on underlying investments which are traded on an active market.

#### Separately Managed Account

The investments in this account are managed by an outside investment firm but are individually held by the Plan. The common stocks are valued at the closing price reported on the stock exchange markets on the last business day of the Plan year. Short term investments are valued at cost which approximates fair value.

#### Stable Value Fund

In accordance with Accounting Standard Codification (“ASC”) Topic 962 Plan Accounting - Defined Contribution Pension Plans, the statements of net assets available for benefits presents the fair value of the fully benefit-responsive stable value funds in the caption for participant-directed investments, at fair value, as well as an additional line item showing an adjustment to the fully benefit-responsive stable value fund from fair value to contract value.

The statement of changes in net assets available for benefit is presented on a contract value basis and is not affected by ASC Topic 946 Financial Services - Investment Companies. The fair values of the Plan's interest in stable value funds is based upon the net asset value of the funds, after adjustments to reflect all underlying investments of the funds at fair value.

#### Investment Income

Realized and unrealized appreciation (depreciation) in the fair value of investments is based on the difference between the average cost of the assets at the beginning of the year, or at time of purchase of assets purchased during the year, and the related average cost on the day investments are sold with respect to realized appreciation (depreciation), or on the last day of the year for unrealized appreciation (depreciation).

Purchases and sales of investments are recorded on a trade-date basis. The Plan records dividends on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments in the mutual funds and collective trusts are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

#### Receivables

##### Contributions receivable

The carrying amount of the contributions receivable approximate fair value due to their short-term maturities.

##### Receivables for securities sold

Represent pending sales of investments that have not yet settled.

##### Accrued investment income

Represents dividend and interest income that have been earned but have not yet been received. Dividends are accrued on their ex-dividend dates, while interest income is recorded when earned.

##### Notes receivable from participants

Represent outstanding principal and interest balance on loans receivable from participants and are recorded when participants take out a loan.

##### Payables for securities purchased

Represent pending purchases of investments that have not yet settled.

##### Benefits paid to participants

Benefits are recorded upon distribution.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

## 3. INVESTMENTS

The Plan's investments that represented 5% or more of the Plan's net assets available for benefits are as follows:

	For the Year Ended	
	December 31,	
	2014	2013
Discover Financial Services common stock <sup>(1)</sup>	\$151,917,873	\$137,099,992
SSgA S&P 500 Index Fund	\$123,178,762	\$—
Dodge & Cox International Stock Fund	\$84,692,969	\$86,018,854
Wells Fargo Stable Return Fund C <sup>(2)</sup>	\$69,497,327	\$67,646,827
Loomis Small Mid Cap Core Trust	\$63,983,694	\$—
Loomis Core Plus Fixed Income Trust	\$55,796,677	\$—
T. Rowe Price Retirement Fund 2035	\$54,715,322	\$51,354,297
Mellon S&P 500 Index Fund <sup>(1) (3)</sup>	\$—	\$97,366,683
Dodge & Cox Stock Fund <sup>(4)</sup>	\$—	\$67,419,540
Pimco Total Return Fund <sup>(3)</sup>	\$—	\$62,382,165
MSIF Inc. U.S. Large Cap Growth Portfolio <sup>(3)</sup>	\$—	\$60,927,969

(1) Represents Party-in-interest.

(2) Amount in the table represents the fair value at December 31, 2014 and 2013. The contract value of the Wells Fargo Stable Return Fund C was \$68,527,181 and \$67,104,359 at December 31, 2014 and 2013.

(3) Investment is no longer held at December 31, 2014.

(4) Investment is less than 5% of the Plan's net assets available for benefits at December 31, 2014; included for comparative purposes only.

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the period) appreciated in value as follows:

	For the Year Ended
	December 31, 2014
Common stock	\$41,406,384
Mutual funds	17,736,854
Collective Trusts	20,630,804
Net appreciation in fair value of investments	\$79,774,042

#### 4. STABLE VALUE FUND

The Wells Fargo Stable Return Fund C ("Fund C"), is a collective trust fund. Wells Fargo Bank, N.A. serves as the Fund manager and trustee. Fund C has invested all of its assets in Wells Stable Return Fund G ("Fund G"), which invests in investment contracts, including traditional guaranteed investment contracts and security-backed contracts issued by insurance companies and other financial institutions. The beneficial interest of each participant is represented by units. Units are issued by Fund C at a price determined by Wells Fargo at the close of each business day. The net asset value of Fund C is calculated daily. Net investment income and realized and unrealized gains on investments are not distributed by the fund. Rather they are reinvested and reflected in the net asset value of the fund. Units of Fund C are issued and redeemed at the current net asset value. The estimated fair value of Fund C is net asset value, exclusive of the adjustment to contract value, and is considered a Level 2 investment. Currently the Plan does not provide for any competing stable value funds or benefit-responsive investment contracts.

Fund G's principal objective is to protect principal while providing a higher rate of return than shorter maturity investments, such as money market funds or certificates of deposit. To achieve this, Fund G invests in instruments which are not expected to experience significant price fluctuation in most economic or interest rate environments. However, there is no assurance that this objective can be achieved.

##### Limitations on the Ability of Fund G to Transact at Contract Value

Guaranteed investment contracts and security-backed contracts generally provide for withdrawals associated with certain events which are not in the ordinary course of Fund G operations. These withdrawals are paid with a market value adjustment applied to the withdrawal as defined in the investment contract. Events which may trigger a market value adjustment include:

- material amendments to Fund G's structure or administration;
- changes to the participating plans' competing investment options including the elimination of equity wash provisions;
- complete or partial termination of Fund G, including a merger with another fund;
- the failure of Fund G to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA;
- the redemption of all or a portion of the interests in Fund G held by a participating plan at the direction of the participating plan sponsor, including withdrawals due to the removal of a specifically identifiable group of employees from coverage under the participating plan (such as group layoff or early retirement incentive program), the closing or sale of subsidiary, employing unit, or affiliate, the bankruptcy or insolvency of a plan sponsor, the merger of the plan with another plan, or the plan sponsor's establishment of another tax qualified defined contribution plan;
- any change in law, regulation, ruling, administrative or judicial position, or accounting requirement, applicable to Fund G or participating plans;
- the delivery of any communication to plan participants designed to influence a participant not to invest in Fund G.

## 5. NET ASSET VALUE (NAV) PER SHARE

The following table is a summary of the Plan's investments in collective trusts whose fair value is estimated using the NAV per share or its equivalent, as its fair value is not readily determinable:

Investment	Fair Value Estimated Using Net Asset Value per Share			
	Fair Value <sup>(1)</sup>	Unfunded Commitment	Redemption Frequency	Redemption Notice Period <sup>(2)</sup>
December 31, 2014				
Equity Funds - Domestic <sup>(3)</sup>	\$63,983,694	\$—	Immediate	None
Equity Index Funds <sup>(4)</sup>	170,361,700	—	Immediate	None
Fixed Income Funds <sup>(5)</sup>	85,940,932	—	Immediate	None
Target Date Fund Income Active <sup>(6)</sup>	12,561,321	—	Immediate	90 days
Target Date Funds 2010-2020 <sup>(6)</sup>	55,631,389	—	Immediate	90 days
Target Date Funds 2025-2035 <sup>(6)</sup>	110,281,185	—	Immediate	90 days
Target Date Funds 2040-2055 <sup>(6)</sup>	77,091,077	—	Immediate	90 days
Stable Value Fund <sup>(7)</sup>	69,497,327	—	Immediate	12 months
Short-Term Investment Fund <sup>(8)</sup>	3,507,925	—	Immediate	None
Total	\$648,856,550	\$—		
December 31, 2013				
Equity Funds - Domestic <sup>(3)</sup>	\$66,595,178	\$—	Immediate	None
Equity Funds - International <sup>(9)</sup>	6,105,762	—	Immediate	None
Equity Index Funds <sup>(4)</sup>	97,366,683	—	Immediate	None
Target Date Fund Income Active <sup>(6)</sup>	12,335,333	—	Immediate	90 days
Target Date Funds 2010-2020 <sup>(6)</sup>	55,827,457	—	Immediate	90 days
Target Date Funds 2025-2035 <sup>(6)</sup>	100,670,061	—	Immediate	90 days
Target Date Funds 2040-2055 <sup>(6)</sup>	61,562,248	—	Immediate	90 days
Stable Value Fund <sup>(7)</sup>	67,646,827	—	Immediate	None
Short-Term Investment Fund <sup>(8)</sup>	2,223,099	—	Immediate	None
Total	\$470,332,648	\$—		

(1) The fair values of the investments have been estimated using the net asset value of the investment.

(2) Represents redemption notice period for the Plan. There is no notice period required for participants.

(3) Equity funds - domestic strategies seek to invest in a diversified portfolio of common stocks.

(4) Equity index fund strategies seek to track the performance of various indexes such as the S&P 500 Index, the Russell Small Cap Completeness Index, and the MSCI ACWI ex USA Investable Market Index.

(5) Fixed income fund strategies seek to track or outperform the performance of Barclays U.S. Aggregate Bond Index.

(6) Target date fund strategies seek to invest in equity and fixed income trusts with an allocation strategy determined by a specific retirement date.

(7) Stable value fund strategies seek to primarily invest in investment contracts including guaranteed investment contracts (GICs) and security-backed contracts issued by insurance companies and other financial institutions, as well as other investment products with similar characteristics.

(8) Short-term investment fund strategies seek as high a level of current income as is consistent with the preservation of capital and the maintenance of liquidity.

(9) Equity funds - international strategies seek to invest in a diversified portfolio of international common stocks.



## 6. FAIR VALUE DISCLOSURES

The following provides a description of the three levels of inputs that may be used to measure fair value under ASC 820:

Level 1 - Inputs utilize quoted prices (unadjusted) available in active markets for identical assets or liabilities;

Level 2 - Inputs utilize other than quoted prices that are observable for the asset or liability, either directly or indirectly, and include quoted prices for similar assets and liabilities in an active or inactive market, quoted prices for the identical assets in an inactive market, and inputs other than quoted prices that are observable at commonly quoted intervals, such as interest rates;

Level 3 - Inputs utilize unobservable inputs, and include situations where there is little, if any, market activity for the asset or liability.

In instances in which the inputs used to measure fair value may fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input that is significant to the fair value measurement in its entirety. The Plan's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Assets Measured at Fair Value on a Recurring Basis

There were no Level 3 assets or liabilities measured at fair value on a recurring basis at December 31, 2014 or 2013 or at any point during the year ended December 31, 2014.

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There is no difference between the carrying value and the fair value of these funds, except for the stable value fund. The following table presents information about the Plan's assets measured at fair value on a recurring basis at December 31, 2014 and 2013 and indicates the level within the fair value hierarchy with which each of those items is associated:

	Quoted Prices In Active Markets for Identical Assets (Level 1) <sup>(1)</sup>	Significant Other Observable Inputs (Level 2) <sup>(1)</sup>	Total
Balance at December 31, 2014			
Investments			
Common stock:			
Company common stock	\$ 151,917,873	\$—	\$ 151,917,873
Other common stock:			
Healthcare	21,624,099	—	21,624,099
Consumer products and services	34,143,847	—	34,143,847
Information technology	22,205,081	—	22,205,081
Financial services	23,331,862	—	23,331,862
Industrial services and materials	28,911,001	—	28,911,001
Energy	16,892,775	—	16,892,775
Other	5,653,911	—	5,653,911
Total other common stock	152,762,576	—	152,762,576
Total common stock	304,680,449	—	304,680,449
Mutual Funds:			
Multi-asset Fund	1,316,379	—	1,316,379
Equity Funds-International	87,009,485	—	87,009,485
Fixed Income Funds	2,907,729	—	2,907,729
Total mutual funds	91,233,593	—	91,233,593
Collective Trusts:			
Equity Funds-Domestic	—	63,983,694	63,983,694
Equity Index Funds	—	170,361,700	170,361,700
Fixed Income Funds	—	85,940,932	85,940,932
Target Date Fund Income Active	—	12,561,321	12,561,321
Target Date Funds 2010-2020	—	55,631,389	55,631,389
Target Date Funds 2025-2035	—	110,281,185	110,281,185
Target Date Funds 2040-2055	—	77,091,077	77,091,077
Stable Value Fund	—	69,497,327	69,497,327
Short-Term Investment Fund	—	3,507,925	3,507,925
Total collective trusts	—	648,856,550	648,856,550
Total investments	\$395,914,042	\$648,856,550	\$1,044,770,592



	Quoted Prices In Active Markets for Identical Assets (Level 1) <sup>(1)</sup>	Significant Other Observable Inputs (Level 2) <sup>(1)</sup>	Total
Balance at December 31, 2013			
Investments			
Common stock:			
Company common stock	\$ 137,099,992	\$—	\$ 137,099,992
Mutual Funds:			
Domestic Stock Funds	158,431,958	—	158,431,958
International Stock Funds	86,018,854	—	86,018,854
Fixed Income Funds	62,382,165	—	62,382,165
Total mutual funds	306,832,977	—	306,832,977
Collective Trusts:			
Equity Funds-Domestic	—	66,595,178	66,595,178
Equity Funds-International	—	6,105,762	6,105,762
Equity Index Funds	—	97,366,683	97,366,683
Target Date Fund Income Active	—	12,335,333	12,335,333
Target Date Funds 2010-2020	—	55,827,457	55,827,457
Target Date Funds 2025-2035	—	100,670,061	100,670,061
Target Date Funds 2040-2055	—	61,562,248	61,562,248
Stable Value Fund	—	67,646,827	67,646,827
Short-Term Investment Fund	—	2,223,099	2,223,099
Total collective trusts	—	470,332,648	470,332,648
Total investments	\$443,932,969	\$470,332,648	\$914,265,617

(1) There were no transfers into or out of levels 1 and 2 in the fair value hierarchy for the years ended December 31, 2014 and 2013.

## 7. PARTY-IN-INTEREST TRANSACTIONS

Parties-in-interest are defined under Department of Labor regulations as any fiduciary of the Plan, any party rendering service to the Plan, the employer, and certain others. The Plan holds units of collective trusts managed by the Plan Custodian, The Bank of New York Mellon. Because The Bank of New York Mellon is the Plan Custodian, these transactions qualify as party-in-interest transactions. Notes receivable from participants are also considered party-in-interest transactions.

At December 31, 2014 and 2013, the Plan held 2,319,711 and 2,450,402, respectively, shares of common stock of the Company, the sponsoring employer, with a cost basis of \$65,842,044 and \$57,209,780 and a fair value of \$151,917,873 and \$137,099,992, respectively. During the year ended December 31, 2014, the Plan recorded dividend income on the common stock of the Company of \$2,247,917.

Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan. Some administrative expenses of the Plan are paid directly by the Company.

## 8. FEDERAL INCOME TAX STATUS

On August 15, 2014, the Plan Sponsor received a favorable determination letter from the Internal Revenue Service ("IRS") that the Plan satisfies the requirements of the applicable sections of the Internal Revenue Code. No provision for income taxes has been recorded in the accompanying financial statements. Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability if the plan has taken an uncertain position that more likely than not would not be sustained

upon examination by the IRS. The Plan is

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subject to routine audits by the IRS; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

9. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31,	
	2014	2013
Net assets available for benefits per the financial statements	\$ 1,093,791,880	\$ 961,012,943
Adjustment from contract value to fair value for fully benefit-responsive stable value fund	970,145	542,468
Corrective distributions	(7,787	) (20,962
Distributions and withdrawals payable	(623,571	) (428,755
Net assets available for benefits per Form 5500	\$ 1,094,130,667	\$ 961,105,694

The following is a reconciliation of the increase in net assets per the financial statements to the form 5500:

	2014
Increase in net assets per the financial statements	\$ 132,778,937
Adjustment from contract value to fair value for fully benefit-responsive stable value fund	427,677
Change in corrective distributions	13,175
Change in distributions and withdrawals payable	(194,816
Net increase per Form 5500	\$ 133,024,973

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Employer Identification Number 36-2517428; Plan Number 003  
 Form 5500, Schedule H, Line 4i - Schedule of Assets (Held at End of Year)  
 December 31, 2014

(a) (b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost**	(e) Current value
	Mutual Funds		
Dodge & Cox	Dodge & Cox International Stock Fund		\$84,692,969
Dimensional Fund Advisors	DFA Emerging Market Core Equity Fund		2,316,516
Pacific Investment Management Company LLC	PIMCO Foreign Bond (U.S. Dollar-Hedged)		2,907,730
Pacific Investment Management Company LLC	PIMCO Inflation Response Multi-Asset Fund		1,316,378
	Collective Trusts		
State Street Global Advisors	SSgA S&P 500 Index		123,178,762
State Street Global Advisors	SSgA Global All Cap Equity Ex-U.S. Index		27,564,077
State Street Global Advisors	SSgA Russell Small Mid Cap Index		19,618,861
State Street Global Advisors	SSgA U.S. Bond Index Fund		30,144,255
* The Bank of New York Mellon	Mellon EB Temporary Investment Fund II		3,507,925
Loomis, Sayles & Company	Loomis Sayles Small/Mid Cap Core Trust		63,983,694
Loomis, Sayles & Company	Loomis Sayles Core Plus Fixed Income Fund		55,796,677
Wells Fargo Bank, N.A.	Wells Fargo Stable Return Fund C		69,497,327
T. Rowe Price Trust Company	T. Rowe Price Retirement Income Active Fund		12,561,321
T. Rowe Price Trust Company	T. Rowe Price Retirement 2010 Fund		3,262,666
T. Rowe Price Trust Company	T. Rowe Price Retirement 2015 Fund		34,492,023
T. Rowe Price Trust Company	T. Rowe Price Retirement 2020 Fund		17,876,700
T. Rowe Price Trust Company	T. Rowe Price Retirement 2025 Fund		28,155,244
T. Rowe Price Trust Company	T. Rowe Price Retirement 2030 Fund		27,410,620
T. Rowe Price Trust Company	T. Rowe Price Retirement 2035 Fund		54,715,322
T. Rowe Price Trust Company	T. Rowe Price Retirement 2040 Fund		25,084,257
T. Rowe Price Trust Company	T. Rowe Price Retirement 2045 Fund		20,926,108
T. Rowe Price Trust Company	T. Rowe Price Retirement 2050 Fund		15,110,063
T. Rowe Price Trust Company	T. Rowe Price Retirement 2055 Fund		15,970,648
	Common Stock		
* Discover Financial Services	Common Stock		151,917,873
Abbott Laboratories	Common Stock		1,369,779
Adobe Systems Inc	Common Stock		1,767,046
Alcoa Inc	Common Stock		1,381,325
Alexion Pharmaceuticals Inc	Common Stock		955,125
Alliance Data Systems Corp	Common Stock		644,470
American International Group Inc	Common Stock		1,049,347

Anadarko Petroleum Corp

Common Stock

391,380

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(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost**	(e) Current value
	Apple Inc	Common Stock		5,711,392
	Axiall Corp	Common Stock		210,991
	BB&T Corp	Common Stock		799,734
	Baker Hughes Inc	Common Stock		516,012
	Bank of America Corp	Common Stock		3,002,407
	Biogen Inc	Common Stock		1,925,021
	Boston Scientific Corp	Common Stock		1,021,204
	Bristol-Myers Squibb Co	Common Stock		2,140,664
	Broadcom Corp	Common Stock		794,845
	CSX Corp	Common Stock		365,126
	CVS Health Corp	Common Stock		1,955,767
	California Resources Corp	Common Stock		63,034
	Canadian Pacific Railway Ltd	Common Stock		704,089
	Celgene Corp	Common Stock		1,644,566
	Centerpoint Energy Inc	Common Stock		774,385
	Charter Communications Inc	Common Stock		627,491
	Chevron Corp	Common Stock		2,004,993
	Citigroup Inc	Common Stock		2,574,283
	Citrix Systems Inc	Common Stock		752,840
	Coca-Cola Co/The	Common Stock		2,460,877
	Cognizant Technology Solutions Corp	Common Stock		1,314,973
	Comcast Corp	Common Stock		1,627,528
	Concho Resources Inc	Common Stock		231,320
	Constellation Brands Inc	Common Stock		774,365
	Costco Wholesale Corp	Common Stock		1,063,975
	Crown Holdings Inc	Common Stock		829,161
	Dr Horton Inc	Common Stock		423,026
	Dish Network Corp	Common Stock		901,139
	Dollar Tree Inc	Common Stock		712,316
	Dominion Resources Inc	Common Stock		984,858
	Dow Chemical Co/The	Common Stock		462,668
	EI Du Pont De Nemours & Co	Common Stock		1,549,413
	EOG Resources Inc	Common Stock		252,364
	EQT Corp	Common Stock		325,434
	East West Bancorp Inc	Common Stock		410,829
	Edison International	Common Stock		683,873
	Emerson Electric Co	Common Stock		1,766,157
	Exelon Corp	Common Stock		699,143
	Exxon Mobil Corp	Common Stock		2,173,130
	Facebook Inc	Common Stock		2,689,115
	Fidelity National Information Services	Common Stock		599,484
	Fluor Corp	Common Stock		1,345,804
	Fortune Brands Home & Security Inc.	Common Stock		583,032

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(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost**	(e) Current value
	General Mills Inc	Common Stock		608,709
	General Motors Co	Common Stock		1,085,003
	Gilead Sciences Inc	Common Stock		550,007
	Google Inc, Class A	Common Stock		517,393
	Google Inc, Class C	Common Stock		2,627,263
	Halliburton Co	Common Stock		960,006
	Harman International Industries Inc.	Common Stock		819,106
	Hartford Financial Services Group Inc	Common Stock		450,877
	Honeywell International Inc	Common Stock		2,235,510
	Humana Inc	Common Stock		1,212,812
	Intercontinental Exchange Inc	Common Stock		449,764
	Johnson & Johnson	Common Stock		4,652,738
	Johnson Controls Inc	Common Stock		653,315
	KLA-Tencor Corp	Common Stock		804,813
	L-3 Communications Holdings In	Common Stock		837,403
	Lam Research Corp	Common Stock		1,517,060
	Estee Lauder Cos Inc/The	Common Stock		392,506
	Lowe's Cos Inc	Common Stock		3,303,019
	Lululemon Athletica Inc	Common Stock		446,878
	Marathon Oil Corp	Common Stock		818,288
	Masco Corp	Common Stock		455,339
	McKesson Corp	Common Stock		1,475,479
	Merck & Co Inc	Common Stock		1,235,410
	MetLife Inc	Common Stock		1,285,882
	Microsoft Corp	Common Stock		3,633,505
	Mondelez International Inc	Common Stock		1,241,516
	Morgan Stanley	Common Stock		2,443,508
	Mosaic Co/The	Common Stock		1,237,343
	NextEra Energy Inc	Common Stock		1,201,715
	NiSource Inc	Common Stock		436,290
	Occidental Petroleum Corp	Common Stock		2,305,527
	PPL Corp	Common Stock		564,714
	PVH Corp	Common Stock		401,556
	PACCAR Inc	Common Stock		1,915,162
	Pall Corp	Common Stock		30,363
	Philip Morris International Inc	Common Stock		1,834,580
	Phillips 66	Common Stock		375,780
	Pioneer Natural Resources Co	Common Stock		228,485
	Priceline Group Inc/The	Common Stock		1,015,927
	Procter & Gamble Co/The	Common Stock		2,589,324
	Prologis Inc	Common Stock		1,011,635
	PulteGroup Inc	Common Stock		494,910
	QUALCOMM Inc	Common Stock		1,298,248
	Ralph Lauren Corp	Common Stock		838,775
	SPX Corp	Common Stock		412,502





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(a)	(b) Identity of issue, borrower, lessor, or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost**	(e) Current value
	SVB Financial Group	Common Stock		559,922
	Schlumberger Ltd	Common Stock		720,092
	Charles Schwab Corp/The	Common Stock		1,129,106
	Simon Property Group Inc	Common Stock		834,428
	Starbucks Corp	Common Stock		1,945,816
	State Street Corp	Common Stock		1,063,047
	TJX Cos Inc/The	Common Stock		1,321,605
	Tiffany & Co	Common Stock		438,660
	Time Warner Inc	Common Stock		1,760,165
	Time Warner Cable Inc	Common Stock		363,728
	Twenty-First Century Fox Inc	Common Stock		2,060,966
	Union Pacific Corp	Common Stock		1,425,509
	United Continental Holdings In	Common Stock		1,266,361
	United States Steel Corp	Common Stock		228,386
	United Technologies Corp	Common Stock		3,100,285
	UnitedHealth Group Inc	Common Stock		2,201,538
	Verizon Communications Inc	Common Stock		1,615,594
	Vertex Pharmaceuticals Inc	Common Stock		840,866
	Visa Inc	Common Stock		2,374,221
	Wells Fargo & Co	Common Stock		3,204,339
	Accenture Plc	Common Stock		1,576,143
	Covidien Plc	Common Stock		398,892
	Eaton Corp Plc	Common Stock		1,484,586
	Freescale Semiconductor Ltd	Common Stock		313,659
	Weatherford International Plc	Common Stock		181,952
	Invesco Ltd	Common Stock		1,018,312
	Willis Group Holdings Plc	Common Stock		402,752
	Ace Ltd	Common Stock		1,113,532
	Royal Caribbean Cruises Ltd	Common Stock		629,848
	Avago Technologies Ltd	Common Stock		2,271,021
*	Participant loans	Maturing 2015 - 2029 at interest rates between 4.25% and 10.50%		26,115,904
	Total Investments Held at End of Year			\$1,070,886,496

\* Party-in-interest.

\*\* Cost information is not required for participant-directed investments and therefore is not included.

SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Discover Financial Services 401(k) Plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

DISCOVER FINANCIAL SERVICES 401(k) PLAN

By: Discover Financial Services Employee Benefits  
Committee, as Plan Administrator

June 22, 2015

By: /s/ Douglas Seipel  
Douglas Seipel, Chairman  
Discover Financial Services Employee Benefits  
Committee

EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm.