



**Discover Bank**  
(a Delaware-chartered bank)

August 6, 2018

**\$500,000,000**

**4.682% FIXED-TO-FIXED RATE SUBORDINATED NOTES DUE 2028 (the “Notes”)**

**FINAL TERMS AND CONDITIONS**

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Issuer:	Discover Bank
Expected Ratings*:	Moody’s Investors Service: Ba1 / Standard & Poor’s: BBB- / Fitch: BBB
Type of Security:	Unsecured, subordinated notes  The Notes are subordinated to the claims of depositors and general creditors of Discover Bank, as more fully described in the Preliminary Offering Circular (as defined below)
Aggregate Principal Amount:	\$500,000,000
Trade Date:	August 6, 2018
Settlement Date:	August 9, 2018 (T+3)
Reset Date:	August 9, 2023
Maturity Date:	August 9, 2028
Interest Rate:	Subject to any redemption prior to the Maturity Date, the Notes will bear interest <ul style="list-style-type: none"><li>• from and including the Settlement Date to, but excluding, the Reset Date, at a rate of 4.682% per annum; and</li><li>• from and including the Reset Date to, but excluding, the Maturity Date at a rate per annum which will be 1.730% above the 5-Year Mid-Swap Rate (as defined in the Preliminary Offering Circular)</li></ul>
Interest Payment Dates:	Interest on the Notes will be payable semi-annually in arrears on February 9 and August 9 of each year, commencing on February 9, 2019
Record Dates:	The close of business on February 1 or August 1, as the case may be (whether or not a business day), next preceding each Interest Payment Date
Benchmark Treasury:	2.750% UST due July 31, 2023
Benchmark Treasury Spot and Yield:	99-23+ ; 2.807%
Spread to Benchmark Treasury:	+187.5 bps
Yield to Investors:	4.682%
Benchmark 5-Year Mid-Swap Rate:	2.952%
Spread to Benchmark 5-Year Mid-Swap Rate:	+173 bps For determining the Interest Rate from and after the Reset Date
Issue Price to Investors:	100.000% of Aggregate Principal Amount
Day Count Convention:	30/360
Optional Redemption:	Discover Bank may, at its option, redeem the Notes, in whole but not in part, (i) at any time within 90 days following a Regulatory Capital Treatment Event (as defined in the Preliminary Offering Circular) or (ii) on the Reset Date, in each case at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to but excluding the redemption date  Redemption of the Notes is subject to Discover Bank’s receipt of any required prior approval from the FDIC and to the satisfaction of any conditions set forth in the capital guidelines or regulations of the FDIC specifically applicable to the redemption of the Notes
Events of Default:	An event of default in respect of the Notes will occur only if Discover Bank consents to, or a court or other governmental agency enters a decree or order for, the appointment of a receiver or other similar official (other than a conservator) in any receivership, liquidation, insolvency or similar proceeding with respect to Discover Bank or all or substantially all of its property.

Denominations:	\$250,000 denominations and integral multiples of \$1,000 in excess thereof
Use of Proceeds:	Discover Bank expects to use the net proceeds from the sale of the Notes to increase its Tier 2 capital and for general corporate purposes
CUSIP/ISIN:	25466A AN1 / US25466AAN19
Joint Book-Running Managers:	Citigroup Global Markets Inc. Barclays Capital Inc. RBC Capital Markets, LLC
Senior Co-Managers:	Goldman Sachs & Co. LLC Morgan Stanley & Co. LLC NatWest Markets Securities Inc.
Junior Co-Manager:	The Williams Capital Group, L.P.

**\* Note: A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.**

The Issuer has prepared a preliminary offering circular dated August 6, 2018 (the “Preliminary Offering Circular”) to which this communication relates. Before you invest, you should read the Preliminary Offering Circular and the Final Offering Circular (when available), including the documents incorporated by reference therein, for more information concerning the Issuer and the Notes. The Issuer or the Representatives will arrange to send you a copy of the Preliminary Offering Circular and the Final Offering Circular (when available) if you request it by calling (i) Citigroup Global Markets Inc. toll-free at 1-800-831-9146, (ii) Barclays Capital Inc. at 1-888-603-5847 and (iii) RBC Capital Markets, LLC toll-free at 1-866-375-6829.

The Notes have not been, and are not required to be, registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the “Securities Act”), in reliance upon an exemption provided by Section 3(a)(2) of the Securities Act. The Notes are being offered and sold only to institutional investors that are “accredited investors” as defined in Rule 501 under the Securities Act.

The Notes are not deposits of the Issuer and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency and are subject to investment risk, including possible loss of principal. The Notes are issued by the Issuer and are not obligations of, or guaranteed by, the Issuer’s parent company, Discover Financial Services, or any other affiliate of the Issuer.

We expect that delivery of the Notes will be made to investors on or about August 9, 2018, which will be the third business day following the date of pricing of the Notes (such settlement being referred to as “T+3”). Under Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on any date prior to two business days before delivery will be required, by virtue of the fact that the Notes initially will settle in T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade Notes on any date prior to two business days before delivery should consult their own advisor.