

**DISCOVER FINANCIAL SERVICES**  
**EARNINGS SUMMARY**  
(unaudited, in millions, except per share statistics)

|  | Quarter Ended   |                 |                 |                 |                 | March 31, 2015 vs.<br>March 31, 2014 |       |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------------------------|-------|
|  | Mar 31,<br>2015 | Dec 31,<br>2014 | Sep 30,<br>2014 | Jun 30,<br>2014 | Mar 31,<br>2014 |                                      |       |
| <b><u>EARNINGS SUMMARY</u></b>                             |                 |                 |                 |                 |                 |                                      |       |
| Interest Income  | \$1,929         | \$1,974         | \$1,926         | \$1,863         | \$1,833         | \$96                                 | 5%    |
| Interest Expense   | 300             | 302             | 288             | 274             | 270             | 30                                   | 11%   |
| Net Interest Income  | 1,629           | 1,672           | 1,638           | 1,589           | 1,563           | 66                                   | 4%    |
| Discount/Interchange Revenue                               | 536             | 620             | 599             | 595             | 519             | 17                                   | 3%    |
| Rewards Cost   | 268             | 517             | 304             | 268             | 265             | 3                                    | 1%    |
| Discount and Interchange Revenue, net                      | 268             | 103             | 295             | 327             | 254             | 14                                   | 6%    |
| Protection Products Revenue                                | 71              | 75              | 78              | 78              | 83              | (12)                                 | (14%) |
| Loan Fee Income  | 81              | 86              | 85              | 80              | 83              | (2)                                  | (2%)  |
| Transaction Processing Revenue                             | 42              | 46              | 46              | 46              | 44              | (2)                                  | (5%)  |
| Other Income   | 80              | 55              | 48              | 52              | 51              | 29                                   | 57%   |
| Total Other Income   | 542             | 365             | 552             | 583             | 515             | 27                                   | 5%    |
| Revenue Net of Interest Expense                            | 2,171           | 2,037           | 2,190           | 2,172           | 2,078           | 93                                   | 4%    |
| Provision for Loan Losses                                  | 390             | 457             | 354             | 360             | 272             | 118                                  | 43%   |
| Employee Compensation and Benefits                         | 331             | 314             | 320             | 301             | 307             | 24                                   | 8%    |
| Marketing and Business Development                         | 182             | 216             | 182             | 168             | 169             | 13                                   | 8%    |
| Information Processing & Communications                    | 88              | 88              | 87              | 87              | 84              | 4                                    | 5%    |
| Professional Fees  | 127             | 128             | 111             | 112             | 99              | 28                                   | 28%   |
| Premises and Equipment                                     | 24              | 24              | 23              | 22              | 23              | 1                                    | 4%    |
| Other Expense  | 121             | 162             | 104             | 107             | 102             | 19                                   | 19%   |
| Total Other Expense  | 873             | 932             | 827             | 797             | 784             | 89                                   | 11%   |
| Income Before Income Taxes                                 | 908             | 648             | 1,009           | 1,015           | 1,022           | (114)                                | (11%) |
| Tax Expense  | 322             | 244             | 365             | 371             | 391             | (69)                                 | (18%) |
| Net Income   | \$586           | \$404           | \$644           | \$644           | \$631           | (\$45)                               | (7%)  |
| Net Income Allocated to Common Stockholders                | \$573           | \$392           | \$630           | \$630           | \$618           | (\$45)                               | (7%)  |
| Effective Tax Rate   | 35.5%           | 37.7%           | 36.2%           | 36.6%           | 38.3%           |                                      |       |
| Net Interest Margin  | 9.69%           | 9.76%           | 9.78%           | 9.84%           | 9.87%           | (18)                                 |       |
| Operating Efficiency                                       | 40.2%           | 45.8%           | 37.8%           | 36.7%           | 37.7%           | 248                                  |       |
| ROE  | 21%             | 14%             | 23%             | 23%             | 23%             |                                      |       |
| Ending Common Shares Outstanding                           | 445             | 449             | 455             | 465             | 468             | (23)                                 | (5%)  |
| Weighted Average Common Shares Outstanding                 | 448             | 452             | 460             | 466             | 471             | (23)                                 | (5%)  |
| Weighted Average Common Shares Outstanding (fully diluted) | 448             | 453             | 461             | 467             | 472             | (24)                                 | (5%)  |
| <b><u>PER SHARE STATISTICS</u></b>                         |                 |                 |                 |                 |                 |                                      |       |
| Basic EPS  | \$1.28          | \$0.87          | \$1.37          | \$1.35          | \$1.31          | (\$0.03)                             | (2%)  |
| Diluted EPS  | \$1.28          | \$0.87          | \$1.37          | \$1.35          | \$1.31          | (\$0.03)                             | (2%)  |
| Common Stock Price (period end)                            | \$56.35         | \$65.49         | \$64.39         | \$61.98         | \$58.19         | (\$1.84)                             | (3%)  |
| Book Value per share                                       | \$25.22         | \$24.79         | \$24.82         | \$24.46         | \$23.53         | \$1.69                               | 7%    |

Note: See Glossary of Financial Terms for definitions of financial terms

**DISCOVER FINANCIAL SERVICES**  
**EARNINGS SUMMARY**  
(unaudited, in millions)

|   | Quarter Ended   |                 |                 |                 |                 | March 31, 2015 vs. March 31, 2014 |              |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------------------|--------------|
|   | Mar 31, 2015    | Dec 31, 2014    | Sep 30, 2014    | Jun 30, 2014    | Mar 31, 2014    |                                   |              |
| <b><u>SEGMENT- INCOME BEFORE INCOME TAXES</u></b> |                 |                 |                 |                 |                 |                                   |              |
| Direct Banking                                    | \$881           | \$646           | \$981           | \$984           | \$994           | (\$113)                           | (11%)        |
| Payment Services                                  | 27              | 2               | 28              | 31              | 28              | (1)                               | (4%)         |
| Total   | <u>\$908</u>    | <u>\$648</u>    | <u>\$1,009</u>  | <u>\$1,015</u>  | <u>\$1,022</u>  | <u>(\$114)</u>                    | <u>(11%)</u> |
| <b><u>TRANSACTIONS PROCESSED ON NETWORKS</u></b>  |                 |                 |                 |                 |                 |                                   |              |
| Discover Network                                  | 456             | 523             | 522             | 514             | 461             | (5)                               | (1%)         |
| PULSE Network                                     | 1,024           | 1,085           | 1,071           | 1,090           | 1,037           | (13)                              | (1%)         |
| Total   | <u>1,480</u>    | <u>1,608</u>    | <u>1,593</u>    | <u>1,604</u>    | <u>1,498</u>    | <u>(18)</u>                       | <u>(1%)</u>  |
| <b><u>NETWORK VOLUME</u></b>                      |                 |                 |                 |                 |                 |                                   |              |
| PULSE Network                                     | \$40,814        | \$41,788        | \$40,636        | \$41,500        | \$41,927        | (\$1,113)                         | (3%)         |
| Network Partners                                  | 2,949           | 2,263           | 2,185           | 2,617           | 2,381           | 568                               | 24%          |
| Diners Club International <sup>1</sup>            | 6,474           | 6,933           | 6,777           | 6,733           | 6,527           | (53)                              | (1%)         |
| Total Payment Services                            | 50,237          | 50,984          | 49,598          | 50,850          | 50,835          | (598)                             | (1%)         |
| Discover Network - Proprietary                    | 27,324          | 32,005          | 30,577          | 30,342          | 26,547          | 777                               | 3%           |
| Total   | <u>\$77,561</u> | <u>\$82,989</u> | <u>\$80,175</u> | <u>\$81,192</u> | <u>\$77,382</u> | <u>\$179</u>                      | <u>0%</u>    |

<sup>1</sup> Volume is derived from data provided by licensees for Diners Club branded cards issued outside of North America and is subject to subsequent revision or amendment

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**DISCOVER FINANCIAL SERVICES**  
**BALANCE SHEET STATISTICS**  
(unaudited, in millions)

|   | Quarter Ended                    |                 |                 |                 |                 | March 31, 2015 vs.<br>March 31, 2014 |
|---|----------------------------------|-----------------|-----------------|-----------------|-----------------|--------------------------------------|
|   | Mar 31, 2015                     | Dec 31, 2014    | Sep 30, 2014    | Jun 30, 2014    | Mar 31, 2014    |                                      |
| <b>BALANCE SHEET SUMMARY</b>                        |                                  |                 |                 |                 |                 |                                      |
| <b>Assets</b>                                       |                                  |                 |                 |                 |                 |                                      |
| Cash and Investment Securities                      | \$14,701                         | \$11,339        | \$11,480        | \$11,254        | \$13,858        | \$843 6%                             |
| Total Loan Receivables                              | 67,648                           | 69,969          | 67,366          | 65,875          | 63,852          | 3,796 6%                             |
| Allowance for Loan Losses                           | (1,776)                          | (1,746)         | (1,644)         | (1,614)         | (1,591)         | (185) (12%)                          |
| Net Loan Receivables                                | 65,872                           | 68,223          | 65,722          | 64,261          | 62,261          | 3,611 6%                             |
| Premises and Equipment, net                         | 678                              | 670             | 661             | 665             | 668             | 10 1%                                |
| Goodwill and Intangible Assets, net                 | 432                              | 433             | 461             | 463             | 466             | (34) (7%)                            |
| Other Assets  | 2,495                            | 2,461           | 2,272           | 2,294           | 2,331           | 164 7%                               |
| <b>Total Assets</b>                                 | <b>\$84,178</b>                  | <b>\$83,126</b> | <b>\$80,596</b> | <b>\$78,937</b> | <b>\$79,584</b> | <b>\$4,594 6%</b>                    |
| <b>Liabilities &amp; Stockholders' Equity</b>       |                                  |                 |                 |                 |                 |                                      |
| Direct to Consumer and Affinity Deposits            | \$29,303                         | \$28,766        | \$28,830        | \$28,739        | \$28,711        | \$592 2%                             |
| Brokered Deposits and Other Deposits                | 17,124                           | 17,323          | 16,552          | 15,706          | 16,273          | 851 5%                               |
| Deposits  | 46,427                           | 46,089          | 45,382          | 44,445          | 44,984          | 1,443 3%                             |
| Borrowings  | 23,090                           | 22,657          | 21,057          | 20,177          | 20,306          | 2,784 14%                            |
| Accrued Expenses and Other Liabilities              | 3,450                            | 3,246           | 2,856           | 2,934           | 3,273           | 177 5%                               |
| Total Liabilities                                   | 72,967                           | 71,992          | 69,295          | 67,556          | 68,563          | 4,404 6%                             |
| Total Equity  | 11,211                           | 11,134          | 11,301          | 11,381          | 11,021          | 190 2%                               |
| <b>Total Liabilities and Stockholders' Equity</b>   | <b>\$84,178</b>                  | <b>\$83,126</b> | <b>\$80,596</b> | <b>\$78,937</b> | <b>\$79,584</b> | <b>\$4,594 6%</b>                    |
| <b>LIQUIDITY</b>                                    |                                  |                 |                 |                 |                 |                                      |
| Liquidity Portfolio                                 | \$14,162                         | \$10,752        | \$10,944        | \$10,337        | \$12,141        | \$2,021 17%                          |
| Undrawn Credit Facilities <sup>1</sup>              | 24,340                           | 23,524          | 22,877          | 22,964          | 22,284          | 2,056 9%                             |
| Total Liquidity                                     | <b>\$38,502</b>                  | <b>\$34,276</b> | <b>\$33,821</b> | <b>\$33,301</b> | <b>\$34,425</b> | <b>\$4,077 12%</b>                   |
| <b>BALANCE SHEET STATISTICS</b>                     |                                  |                 |                 |                 |                 |                                      |
| Total Common Equity                                 | \$10,651                         | \$10,574        | \$10,741        | \$10,821        | \$10,461        | \$190 2%                             |
| Total Common Equity/Total Assets                    | 12.7%                            | 12.7%           | 13.3%           | 13.7%           | 13.1%           |                                      |
| Total Common Equity/Net Loans                       | 16.2%                            | 15.5%           | 16.3%           | 16.8%           | 16.8%           |                                      |
| Tangible Assets                                     | \$83,746                         | \$82,693        | \$80,135        | \$78,474        | \$79,118        | \$4,628 6%                           |
| Tangible Common Equity <sup>2</sup>                 | \$10,219                         | \$10,141        | \$10,280        | \$10,358        | \$9,995         | \$224 2%                             |
| Tangible Common Equity/Tangible Assets <sup>2</sup> | 12.2%                            | 12.3%           | 12.8%           | 13.2%           | 12.6%           |                                      |
| Tangible Common Equity/Net Loans <sup>2</sup>       | 15.5%                            | 14.9%           | 15.6%           | 16.1%           | 16.1%           |                                      |
| Tangible Common Equity per share <sup>2</sup>       | \$22.99                          | \$22.58         | \$22.57         | \$22.26         | \$21.34         | \$1.65 8%                            |
| <b>REGULATORY CAPITAL RATIOS</b>                    |                                  |                 |                 |                 |                 |                                      |
|   | <b>Basel III Transition</b>      | <b>Basel I</b>  |                 |                 |                 |                                      |
| Total Risk Based Capital Ratio <sup>3</sup>         | 17.6%                            | 17.0%           | 17.8%           | 18.3%           | 18.1%           |                                      |
| Tier 1 Risk Based Capital Ratio <sup>3</sup>        | 15.6%                            | 14.9%           | 15.6%           | 16.0%           | 15.8%           |                                      |
| Tier 1 Common Capital Ratio <sup>3,4</sup>          | N/A                              | 14.1%           | 14.8%           | 15.2%           | 14.9%           |                                      |
| Tier 1 Leverage Ratio <sup>3</sup>                  | 13.3%                            | 13.2%           | 13.7%           | 14.0%           | 13.4%           |                                      |
| Common Equity Tier 1 Capital Ratio <sup>3</sup>     | 14.8%                            | N/A             | N/A             | N/A             | N/A             |                                      |
|   | <b>Basel III Fully Phased-in</b> |                 |                 |                 |                 |                                      |
| Common Equity Tier 1 Capital Ratio <sup>5</sup>     | 14.7%                            | 14.1%           | 14.7%           | N/A             | N/A             |                                      |

<sup>1</sup> Excludes investments pledged to the Federal Reserve, which is included within the liquidity portfolio

<sup>2</sup> Tangible Common Equity ("TCE") is a non-GAAP measure. The Company believes TCE is a more meaningful measure to investors of the net asset value of the Company. For corresponding reconciliation of TCE to a GAAP financial measure see Reconciliation of GAAP to non-GAAP Data schedule

<sup>3</sup> As of January 1, 2015 regulatory capital ratios are calculated under Basel III rules subject to transition provisions. The Company reported under Basel I at December 31, 2014, September 30, 2014, June 30, 2014 and March 31, 2014

<sup>4</sup> Tier 1 Common Capital Ratio (under Basel I) is calculated using tier 1 common capital, a non-GAAP measure. The Company believes the tier 1 common capital ratio is meaningful to investors to assess the quality and composition of the Company's capital. For corresponding reconciliation of tier 1 common capital to a GAAP financial measure see Reconciliation of GAAP to non-GAAP Data schedule

<sup>5</sup> Common Equity Tier 1 Capital Ratio (Basel III fully phased-in) is calculated using Basel III fully phased-in common equity tier 1 capital, a non-GAAP measure. The Company believes that the common equity tier 1 capital ratio based on fully phased-in Basel III rules is an important complement to the existing capital ratios and for comparability to other financial institutions. For the corresponding reconciliation of common equity tier 1 capital and risk weighted assets calculated under fully phased-in Basel III rules to common equity tier 1 capital and risk weighted assets calculated under Basel III transition rules see the Reconciliation of GAAP to non-GAAP data schedule

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**DISCOVER FINANCIAL SERVICES**  
**AVERAGE BALANCE SHEET**  
(unaudited, in millions)

|   | Quarter Ended   |                 |                 |                 |                 | March 31, 2015 vs.<br>March 31, 2014 |       |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------------------------|-------|
|   | Mar 31,<br>2015 | Dec 31,<br>2014 | Sep 30,<br>2014 | Jun 30,<br>2014 | Mar 31,<br>2014 |                                      |       |
| <b><u>AVERAGE BALANCES</u></b>              |                 |                 |                 |                 |                 |                                      |       |
| <b>Assets</b>                               |                 |                 |                 |                 |                 |                                      |       |
| Cash and Investment Securities              | \$12,148        | \$11,886        | \$10,742        | \$11,037        | \$11,244        | \$904                                | 8%    |
| Restricted Cash                             | 605             | 242             | 498             | 563             | 1,768           | (1,163)                              | (66%) |
| Credit Card Loans                           | 54,038          | 54,169          | 53,130          | 51,718          | 51,347          | 2,691                                | 5%    |
| Private Student Loans                       | 8,721           | 8,478           | 8,310           | 8,301           | 8,377           | 344                                  | 4%    |
| Personal Loans                              | 5,047           | 4,954           | 4,718           | 4,426           | 4,259           | 788                                  | 19%   |
| Other Loans                                 | 342             | 329             | 323             | 283             | 244             | 98                                   | 40%   |
| Total Loans                                 | 68,148          | 67,930          | 66,481          | 64,728          | 64,227          | 3,921                                | 6%    |
| Total Interest Earning Assets               | 80,901          | 80,058          | 77,721          | 76,328          | 77,239          | 3,662                                | 5%    |
| Allowance for Loan Losses                   | (1,753)         | (1,676)         | (1,625)         | (1,599)         | (1,678)         | (75)                                 | (4%)  |
| Other Assets                                | 4,439           | 4,303           | 4,289           | 4,253           | 4,271           | 168                                  | 4%    |
| Total Assets                                | <u>\$83,587</u> | <u>\$82,685</u> | <u>\$80,385</u> | <u>\$78,982</u> | <u>\$79,832</u> | <u>\$3,755</u>                       | 5%    |
| <b>Liabilities and Stockholders' Equity</b> |                 |                 |                 |                 |                 |                                      |       |
| Direct to Consumer and Affinity Deposits    | \$28,891        | \$28,828        | \$28,835        | \$28,752        | \$28,572        | \$319                                | 1%    |
| Brokered Deposits and Other Deposits        | 17,096          | 16,755          | 15,810          | 15,638          | 16,280          | 816                                  | 5%    |
| Total Interest-bearing Deposits             | 45,987          | 45,583          | 44,645          | 44,390          | 44,852          | 1,135                                | 3%    |
| Short-term Borrowings                       | 126             | 107             | 129             | 113             | 93              | 33                                   | 35%   |
| Securitized Borrowings                      | 17,220          | 17,219          | 16,535          | 15,976          | 17,014          | 206                                  | 1%    |
| Other Long-term Borrowings                  | 5,307           | 4,950           | 4,341           | 3,889           | 3,572           | 1,735                                | 49%   |
| Total Interest-bearing Liabilities          | 68,640          | 67,859          | 65,650          | 64,368          | 65,531          | 3,109                                | 5%    |
| Other Liabilities & Stockholders' Equity    | 14,947          | 14,826          | 14,735          | 14,614          | 14,301          | 646                                  | 5%    |
| Total Liabilities and Stockholders' Equity  | <u>\$83,587</u> | <u>\$82,685</u> | <u>\$80,385</u> | <u>\$78,982</u> | <u>\$79,832</u> | <u>\$3,755</u>                       | 5%    |
| <b><u>AVERAGE RATES</u></b>                 |                 |                 |                 |                 |                 |                                      |       |
| <b>Assets</b>                               |                 |                 |                 |                 |                 |                                      |       |
| Cash and Investment Securities              | 0.62%           | 0.72%           | 0.80%           | 0.76%           | 0.75%           | (13) bps                             |       |
| Restricted Cash                             | 0.11%           | 0.10%           | 0.09%           | 0.08%           | 0.08%           | 3 bps                                |       |
| Credit Card Loans                           | 12.05%          | 12.08%          | 12.04%          | 12.10%          | 12.14%          | (9) bps                              |       |
| Private Student Loans                       | 6.95%           | 6.85%           | 6.82%           | 6.84%           | 6.85%           | 10 bps                               |       |
| Personal Loans                              | 12.19%          | 12.25%          | 12.21%          | 12.49%          | 12.54%          | (35) bps                             |       |
| Other Loans                                 | 4.23%           | 3.78%           | 3.83%           | 3.69%           | 3.27%           | 96 bps                               |       |
| Total Loans                                 | 11.37%          | 11.40%          | 11.36%          | 11.42%          | 11.44%          | (7) bps                              |       |
| Total Interest Earning Assets               | 9.67%           | 9.78%           | 9.83%           | 9.79%           | 9.62%           | 5 bps                                |       |
| <b>Liabilities and Stockholders' Equity</b> |                 |                 |                 |                 |                 |                                      |       |
| Direct to Consumer and Affinity Deposits    | 1.25%           | 1.26%           | 1.26%           | 1.27%           | 1.29%           | (4) bps                              |       |
| Brokered Deposits and Other Deposits        | 1.50%           | 1.53%           | 1.54%           | 1.54%           | 1.54%           | (4) bps                              |       |
| Total Interest-bearing Deposits             | 1.34%           | 1.36%           | 1.36%           | 1.37%           | 1.38%           | (4) bps                              |       |
| Short-term Borrowings                       | 1.43%           | 1.54%           | 1.42%           | 1.60%           | 1.90%           | (47) bps                             |       |
| Securitized Borrowings                      | 1.89%           | 1.88%           | 1.82%           | 1.74%           | 1.67%           | 22 bps                               |       |
| Other Long-term Borrowings                  | 5.11%           | 5.09%           | 5.28%           | 5.54%           | 5.24%           | (13) bps                             |       |
| Total Interest-bearing Liabilities          | 1.77%           | 1.77%           | 1.74%           | 1.71%           | 1.67%           | 10 bps                               |       |
| Net Interest Margin                         | 9.69%           | 9.76%           | 9.78%           | 9.84%           | 9.87%           | (18) bps                             |       |
| Net Yield on Interest-earning Assets        | 8.17%           | 8.28%           | 8.36%           | 8.35%           | 8.21%           | (4) bps                              |       |

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**DISCOVER FINANCIAL SERVICES**

**LOAN STATISTICS**

(unaudited, in millions)

|  | Quarter Ended   |                 |                 |                 |                 | March 31, 2015 vs.<br>March 31, 2014 |      |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------------------------|------|
|  | Mar 31,<br>2015 | Dec 31,<br>2014 | Sep 30,<br>2014 | Jun 30,<br>2014 | Mar 31,<br>2014 |                                      |      |
| <b>TOTAL LOAN RECEIVABLES</b>                                      |                 |                 |                 |                 |                 |                                      |      |
| Ending Loans <sup>1,2</sup>  | \$67,648        | \$69,969        | \$67,366        | \$65,875        | \$63,852        | \$3,796                              | 6%   |
| Average Loans <sup>1,2</sup>                                       | \$68,148        | \$67,930        | \$66,481        | \$64,728        | \$64,227        | \$3,921                              | 6%   |
| Interest Yield   | 11.37%          | 11.40%          | 11.36%          | 11.42%          | 11.44%          | (7) bps                              |      |
| Gross Principal Charge-off Rate                                    | 2.82%           | 2.70%           | 2.63%           | 2.82%           | 2.82%           | -                                    | bps  |
| Gross Principal Charge-off Rate excluding PCI Loans <sup>3</sup>   | 2.98%           | 2.86%           | 2.79%           | 3.01%           | 3.01%           | (3) bps                              |      |
| Net Principal Charge-off Rate                                      | 2.14%           | 2.06%           | 1.94%           | 2.08%           | 2.08%           | 6                                    | bps  |
| Net Principal Charge-off Rate excluding PCI Loans <sup>3</sup>     | 2.26%           | 2.18%           | 2.06%           | 2.22%           | 2.22%           | 4                                    | bps  |
| Delinquency Rate (over 30 days) excluding PCI Loans <sup>3,4</sup> | 1.57%           | 1.66%           | 1.64%           | 1.56%           | 1.65%           | (8) bps                              |      |
| Delinquency Rate (over 90 days) excluding PCI Loans <sup>3,4</sup> | 0.78%           | 0.78%           | 0.75%           | 0.73%           | 0.80%           | (2) bps                              |      |
| Gross Principal Charge-off Dollars                                 | \$474           | \$463           | \$440           | \$455           | \$447           | \$27                                 | 6%   |
| Net Principal Charge-off Dollars                                   | \$360           | \$355           | \$324           | \$337           | \$329           | \$31                                 | 9%   |
| Net Interest and Fee Charge-off Dollars                            | \$95            | \$91            | \$85            | \$87            | \$89            | \$6                                  | 7%   |
| Loans Delinquent Over 30 Days <sup>3,4</sup>                       | \$1,006         | \$1,100         | \$1,043         | \$964           | \$985           | \$21                                 | 2%   |
| Loans Delinquent Over 90 Days <sup>3,4</sup>                       | \$500           | \$517           | \$476           | \$451           | \$478           | \$22                                 | 5%   |
| Allowance for Loan Loss (period end)                               | \$1,776         | \$1,746         | \$1,644         | \$1,614         | \$1,591         | \$185                                | 12%  |
| Change in Loan Loss Reserves                                       | \$30            | \$102           | \$30            | \$23            | (\$57)          | \$87                                 | 153% |
| Reserve Rate   | 2.63%           | 2.50%           | 2.44%           | 2.45%           | 2.49%           | 14                                   | bps  |
| Reserve Rate Excluding PCI Loans <sup>3</sup>                      | 2.72%           | 2.59%           | 2.54%           | 2.56%           | 2.61%           | 11                                   | bps  |
| <b>CREDIT CARD LOANS</b>   |                 |                 |                 |                 |                 |                                      |      |
| Ending Loans   | \$53,499        | \$56,128        | \$53,699        | \$52,742        | \$50,879        | \$2,620                              | 5%   |
| Average Loans  | \$54,038        | \$54,168        | \$53,130        | \$51,718        | \$51,347        | \$2,691                              | 5%   |
| Interest Yield   | 12.05%          | 12.08%          | 12.04%          | 12.10%          | 12.14%          | (9) bps                              |      |
| Gross Principal Charge-off Rate                                    | 3.21%           | 3.03%           | 2.99%           | 3.22%           | 3.22%           | (1) bps                              |      |
| Net Principal Charge-off Rate                                      | 2.40%           | 2.26%           | 2.16%           | 2.33%           | 2.32%           | 8                                    | bps  |
| Delinquency Rate (over 30 days) <sup>4</sup>                       | 1.64%           | 1.73%           | 1.71%           | 1.63%           | 1.72%           | (8) bps                              |      |
| Delinquency Rate (over 90 days) <sup>4</sup>                       | 0.86%           | 0.85%           | 0.82%           | 0.80%           | 0.87%           | (1) bps                              |      |
| Gross Principal Charge-off Dollars                                 | \$428           | \$413           | \$400           | \$415           | \$408           | \$20                                 | 5%   |
| Net Principal Charge-off Dollars                                   | \$319           | \$309           | \$289           | \$300           | \$294           | \$25                                 | 9%   |
| Loans Delinquent Over 30 Days <sup>4</sup>                         | \$879           | \$971           | \$920           | \$860           | \$876           | \$3                                  | 0%   |
| Loans Delinquent Over 90 Days <sup>4</sup>                         | \$458           | \$480           | \$440           | \$420           | \$442           | \$16                                 | 4%   |
| Allowance for Loan Loss (period end)                               | \$1,492         | \$1,474         | \$1,388         | \$1,359         | \$1,342         | \$150                                | 11%  |
| Change in Loan Loss Reserves                                       | \$18            | \$86            | \$29            | \$17            | (\$64)          | \$82                                 | 128% |
| Reserve Rate   | 2.79%           | 2.63%           | 2.58%           | 2.58%           | 2.64%           | 15                                   | bps  |
| Total Discover Card Volume   | \$28,725        | \$33,211        | \$32,091        | \$31,732        | \$28,077        | \$648                                | 2%   |
| Discover Card Sales Volume   | \$26,379        | \$30,871        | \$29,609        | \$29,341        | \$25,697        | \$682                                | 3%   |
| Rewards Rate   | 1.02%           | 1.67%           | 1.03%           | 0.91%           | 1.03%           | (1) bps                              |      |

<sup>1</sup> Total Loans includes mortgages and other loans

<sup>2</sup> Purchased Credit Impaired ("PCI") loans are loans that were acquired in which a deterioration in credit quality occurred between the origination date and the acquisition date. These loans were initially recorded at fair value and accrete interest income over the estimated lives of the loans as long as cash flows are reasonably estimable, even if the loans are contractually past due. PCI loans are private student loans and are included in total loan receivables

<sup>3</sup> Excludes PCI loans (described above) which are accounted for on a pooled basis. Since a pool is accounted for as a single asset with a single composite interest rate and aggregate expectation of cash flows, the past-due status of a pool, or that of the individual loans within a pool, is not meaningful. Because the Company is recognizing interest income on a pool of loans, it is all considered to be performing

<sup>4</sup> During the first quarter of 2015, a payment processing change was implemented which had the effect of contributing favorably to the delinquencies of certain accounts. These changes partially contributed to the decline in the delinquency rate

Note: See Glossary of Financial Terms for definitions of financial terms

**DISCOVER FINANCIAL SERVICES**  
**LOAN STATISTICS**  
(unaudited, in millions)

|  | Quarter Ended   |                 |                 |                 |                 | March 31, 2015 vs.<br>March 31, 2014 |       |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------------------------|-------|
|  | Mar 31,<br>2015 | Dec 31,<br>2014 | Sep 30,<br>2014 | Jun 30,<br>2014 | Mar 31,<br>2014 |                                      |       |
| <b><u>PRIVATE STUDENT LOANS</u></b>                              |                 |                 |                 |                 |                 |                                      |       |
| Ending Loans   | \$8,696         | \$8,510         | \$8,494         | \$8,251         | \$8,372         | \$324                                | 4%    |
| Ending PCI Loans <sup>1</sup>                                    | \$3,519         | \$3,660         | \$3,788         | \$3,915         | \$4,046         | (\$527)                              | (13%) |
| Interest Yield   | 6.95%           | 6.85%           | 6.82%           | 6.84%           | 6.85%           | 10 bps                               |       |
| Net Principal Charge-off Rate                                    | 0.61%           | 0.79%           | 0.61%           | 0.68%           | 0.67%           | (6) bps                              |       |
| Net Principal Charge-off Rate excluding PCI Loans <sup>2</sup>   | 1.03%           | 1.40%           | 1.14%           | 1.30%           | 1.31%           | (28) bps                             |       |
| Delinquency Rate (over 30 days) excluding PCI Loans <sup>2</sup> | 1.66%           | 1.80%           | 1.78%           | 1.66%           | 1.79%           | (13) bps                             |       |
| Reserve Rate   | 1.63%           | 1.59%           | 1.56%           | 1.55%           | 1.45%           | 18 bps                               |       |
| Reserve Rate Excluding PCI Loans <sup>2</sup>                    | 2.18%           | 2.20%           | 2.21%           | 2.29%           | 2.16%           | 2 bps                                |       |
| <b><u>PERSONAL LOANS</u></b>                                     |                 |                 |                 |                 |                 |                                      |       |
| Ending Loans   | \$5,065         | \$5,007         | \$4,830         | \$4,579         | \$4,310         | \$755                                | 18%   |
| Interest Yield   | 12.19%          | 12.25%          | 12.21%          | 12.49%          | 12.54%          | (35) bps                             |       |
| Net Principal Charge-off Rate                                    | 2.22%           | 2.20%           | 1.92%           | 1.95%           | 2.07%           | 15 bps                               |       |
| Delinquency Rate (over 30 days)                                  | 0.76%           | 0.79%           | 0.75%           | 0.66%           | 0.68%           | 8 bps                                |       |
| Reserve Rate   | 2.43%           | 2.40%           | 2.23%           | 2.37%           | 2.52%           | (9) bps                              |       |

<sup>1</sup> Purchased Credit Impaired ("PCI") loans are loans that were acquired in which a deterioration in credit quality occurred between the origination date and the acquisition date. These loans were initially recorded at fair value and accrete interest income over the estimated lives of the loans as long as cash flows are reasonably estimable, even if the loans are contractually past due. PCI loans are private student loans and are included in total loan receivables

<sup>2</sup> Excludes PCI loans (described above) which are accounted for on a pooled basis. Since a pool is accounted for as a single asset with a single composite interest rate and aggregate expectation of cash flows, the past-due status of a pool, or that of the individual loans within a pool, is not meaningful. Because the Company is recognizing interest income on a pool of loans, it is all considered to be performing

Note: See Glossary of Financial Terms for definitions of financial terms

**DISCOVER FINANCIAL SERVICES  
SEGMENT RESULTS**  
(unaudited, in millions)

|                                   | Quarter Ended   |                 |                 |                 |                 | March 31, 2015 vs.<br>March 31, 2014 |       |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------------------------|-------|
|                                   | Mar 31,<br>2015 | Dec 31,<br>2014 | Sep 30,<br>2014 | Jun 30,<br>2014 | Mar 31,<br>2014 |                                      |       |
| <b><u>DIRECT BANKING</u></b>      |                 |                 |                 |                 |                 |                                      |       |
| Interest Income                   | \$1,929         | \$1,974         | \$1,926         | \$1,863         | \$1,833         | \$96                                 | 5%    |
| Interest Expense                  | 300             | 302             | 288             | 274             | 270             | 30                                   | 11%   |
| Net Interest Income               | 1,629           | 1,672           | 1,638           | 1,589           | 1,563           | 66                                   | 4%    |
| Other Income                      | 468             | 286             | 475             | 503             | 436             | 32                                   | 7%    |
| Revenue Net of Interest Expense   | 2,097           | 1,958           | 2,113           | 2,092           | 1,999           | 98                                   | 5%    |
| Provision for Loan Losses         | 388             | 454             | 356             | 360             | 270             | 118                                  | 44%   |
| Total Other Expense               | 828             | 858             | 776             | 748             | 735             | 93                                   | 13%   |
| Income Before Income Taxes        | <u>\$881</u>    | <u>\$646</u>    | <u>\$981</u>    | <u>\$984</u>    | <u>\$994</u>    | <u>(\$113)</u>                       | (11%) |
| Net Interest Margin               | 9.70%           | 9.77%           | 9.79%           | 9.85%           | 9.88%           | (18) bps                             |       |
| Pretax Return on Loan Receivables | 5.24%           | 3.78%           | 5.86%           | 6.10%           | 6.29%           | (105) bps                            |       |
| <b><u>PAYMENT SERVICES</u></b>    |                 |                 |                 |                 |                 |                                      |       |
| Interest Income                   | \$-             | \$-             | \$-             | \$-             | \$-             | \$-                                  | NM    |
| Interest Expense                  | -               | -               | -               | -               | -               | -                                    | NM    |
| Net Interest Income               | -               | -               | -               | -               | -               | -                                    | NM    |
| Other Income                      | 74              | 79              | 77              | 80              | 79              | (5)                                  | (6%)  |
| Revenue Net of Interest Expense   | 74              | 79              | 77              | 80              | 79              | (5)                                  | (6%)  |
| Provision for Loan Losses         | 2               | 3               | (2)             | -               | 2               | -                                    | 0%    |
| Total Other Expense               | 45              | 74              | 51              | 49              | 49              | (4)                                  | (8%)  |
| Income Before Income Taxes        | <u>\$27</u>     | <u>\$2</u>      | <u>\$28</u>     | <u>\$31</u>     | <u>\$28</u>     | <u>(\$1)</u>                         | (4%)  |

Note: See Glossary of Financial Terms for definitions of financial terms

## DISCOVER FINANCIAL SERVICES GLOSSARY OF FINANCIAL TERMS

**Book Value per share** represents total equity divided by ending common shares outstanding

**Common Equity Tier 1 Capital Ratio (Basel III transition)** represents common equity tier 1 capital divided by risk weighted assets calculated under Basel III rules subject to transition provisions

**Common Equity Tier 1 Capital Ratio (Basel III fully phased-in)** represents fully phased-in common equity tier 1 capital divided by risk weighted assets under fully phased-in Basel III rules. The Common Equity Tier 1 Capital Ratio (Basel III fully phased-in) is calculated using Basel III fully phased-in common equity tier 1 capital, a non-GAAP measure. The Company believes that the common equity tier 1 capital ratio based on fully phased-in Basel III rules is an important complement to the existing capital ratios and for comparability to other financial institutions. For the corresponding reconciliation of common equity tier 1 capital and risk weighted assets calculated under fully phased-in Basel III rules to common equity tier 1 capital and risk weighted assets calculated under Basel III transition rules see the Reconciliation of GAAP to non-GAAP data schedule

**Delinquency Rate (Over 30 Days)** represents loans delinquent over thirty days divided by ending loans (total or respective loans, as appropriate)

**Delinquency Rate (Over 90 Days)** represents loans delinquent over ninety days divided by ending loans (total or respective loans, as appropriate)

**Earnings Per Share** represents net income allocated to common stockholders divided by the weighted average common shares outstanding

**Effective Tax Rate** represents tax expense divided by income before income taxes

**Gross Principal Charge-off Rate** represents gross principal charge-off dollars (annualized) divided by average loans for the reporting period

**Interest Yield** represents interest income on loan receivables (annualized) divided by average loans for the reporting period

**Liquidity Portfolio** represents cash and cash equivalents (excluding cash-in-process) and other investments

**Net Income Allocated to Common Stockholders** represents net income less (i) dividends and accretion of discount on shares of preferred stock and (ii) income allocated to participating securities

**Net Interest Margin** represents net interest income (annualized) divided by average total loans for the period

**Net Principal Charge-off Rate** represents net principal charge-off dollars (annualized) divided by average loans for the reporting period

**Operating Efficiency** represents total other expense divided by revenue net of interest expense

**Pretax Return on Loan Receivables** represents income before income taxes (annualized) divided by total average loans for the period

**Proprietary Network Volume** represents gross proprietary sales volume on the Discover Network

**Regulatory Capital Ratios** are regulatory measures used to evaluate capital adequacy. Under Basel I, to be considered "well-capitalized," total risk-based, tier 1 risk-based, and tier 1 leverage ratios of 10%, 6% and 5% respectively must be maintained. Under Basel III, to be considered "well-capitalized," total risk-based, tier 1 risk-based, tier 1 leverage, and common equity tier 1 ratios of 10%, 8%, 5%, and 6.5% respectively must be maintained. As of January 1, 2015 regulatory capital ratios are calculated under Basel III rules subject to transition provisions. Prior to January 1, 2015 regulatory capital ratios are calculated under Basel I. Total Risk Based Capital Ratio represents total capital divided by risk-weighted assets. Tier 1 Capital Ratio represents tier 1 capital divided by risk-weighted assets. Tier 1 Leverage Ratio represents tier 1 capital divided by average total assets. The Tier 1 Common Capital Ratio has been replaced by the Common Equity Tier 1 Ratio under Basel III. Tier 1 Common Capital Ratio calculated under Basel I represents tier 1 common capital, a non-GAAP measure, divided by risk-weighted assets. For corresponding reconciliation of tier 1 common capital (Basel I) to a GAAP financial measure, see Reconciliation of GAAP to Non-GAAP Data schedule

**Reserve Rate** represents the allowance for loan losses divided by total loans

**Return on Equity** represents net income (annualized) divided by average total equity for the reporting period

**Rewards Rate** represents rewards cost divided by Discover Card sales volume

**Tangible Assets** represents total assets less goodwill and intangibles

**Tangible Common Equity ("TCE")**, a non-GAAP financial measure, represents total common equity less goodwill and intangibles. The Company believes TCE is a more meaningful measure to investors of the net asset value of the Company. For corresponding reconciliation of TCE to a GAAP financial measure, see Reconciliation of GAAP to Non-GAAP Data schedule

**Tangible Common Equity/Net Loans**, a non-GAAP measure, represents total common equity less goodwill and intangibles divided by total loans less the allowance for loan loss (period end)

**Tangible Common Equity per Share**, a non-GAAP measure, represents total common equity less goodwill and intangibles divided by ending common shares outstanding

**Tangible Common Equity/Tangible Assets**, a non-GAAP measure, represents total common equity less goodwill and intangibles divided by total assets less goodwill and intangibles

**Undrawn Credit Facilities** represents asset-backed conduit funding facilities and Federal Reserve discount window (excluding investments pledged to the Federal Reserve, which are included within the liquidity investment portfolio)



**DISCOVER FINANCIAL SERVICES**  
**RECONCILIATION OF GAAP TO NON-GAAP DATA**  
(unaudited, in millions)

|  | Quarter Ended   |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | Mar 31,<br>2015 | Dec 31,<br>2014 | Sep 30,<br>2014 | Jun 30,<br>2014 | Mar 31,<br>2014 |
| GAAP total common equity   | \$10,651        | \$10,574        | \$10,741        | \$10,821        | \$10,461        |
| Less: Goodwill   | (257)           | (257)           | (284)           | (284)           | (284)           |
| Less: Intangibles  | (175)           | (176)           | (177)           | (179)           | (182)           |
| Tangible common equity <sup>1</sup>  | \$10,219        | \$10,141        | \$10,280        | \$10,358        | \$9,995         |
| Effect of certain items in accumulated other comprehensive income (loss) excluded from tier 1 common capital |                 | 138             | 70              | 73              | 71              |
| Total tier 1 common capital (Basel I) <sup>2</sup>   |                 | \$10,279        | \$10,350        | \$10,431        | \$10,066        |
| Add: Adjustments related to capital components <sup>3</sup>  |                 | 26              | 21              | N/A             | N/A             |
| Common equity Tier 1 capital (Basel III fully phased-in)   |                 | <u>\$10,305</u> | <u>\$10,371</u> | <u>N/A</u>      | <u>N/A</u>      |
| Common equity Tier 1 capital (Basel III transition)  | \$10,495        |                 |                 |                 |                 |
| Adjustments related to capital components during transition <sup>4</sup>                                     | (88)            |                 |                 |                 |                 |
| Common equity Tier 1 capital (Basel III fully phased-in)   | <u>\$10,407</u> |                 |                 |                 |                 |
| Risk weighted assets (Basel I)   | N/A             | \$72,889        | \$70,132        | \$68,755        | \$67,365        |
| Risk weighted assets (Basel III transition)  | \$70,864        | N/A             | N/A             | N/A             | N/A             |
| Risk weighted assets (Basel III fully phased-in) <sup>5</sup>  | \$70,757        | \$73,315        | \$70,560        | N/A             | N/A             |
| Tier 1 common capital ratio (Basel I) <sup>6,7</sup>   | N/A             | 14.1%           | 14.8%           | 15.2%           | 14.9%           |
| Common equity Tier 1 capital ratio (Basel III transition) <sup>6</sup>                                       | 14.8%           | N/A             | N/A             | N/A             | N/A             |
| Common equity Tier 1 capital ratio (Basel III fully phased-in) <sup>6,8</sup>                                | 14.7%           | 14.1%           | 14.7%           | N/A             | N/A             |
| GAAP book value per share  | \$25.22         | \$24.79         | \$24.82         | \$24.46         | \$23.53         |
| Less: Goodwill   | (0.58)          | (0.57)          | (0.62)          | (0.62)          | (0.60)          |
| Less: Intangibles  | (0.39)          | (0.39)          | (0.39)          | (0.38)          | (0.39)          |
| Less: Preferred Stock  | (1.26)          | (1.25)          | (1.23)          | (1.20)          | (1.20)          |
| Tangible common equity per share   | <u>\$22.99</u>  | <u>\$22.58</u>  | <u>\$22.58</u>  | <u>\$22.26</u>  | <u>\$21.34</u>  |

<sup>1</sup> Tangible common equity ("TCE"), a non-GAAP financial measure, represents common equity less goodwill and intangibles. A reconciliation of TCE to common equity, a GAAP financial measure, is shown above. Other financial services companies may also use TCE and definitions may vary, so users of this information are advised to exercise caution in comparing TCE of different companies. TCE is included because management believes that common equity excluding goodwill and intangibles is a more meaningful measure to investors of the true net asset value of the Company

<sup>2</sup> Tier 1 common capital (under Basel I), a non-GAAP financial measure, represents common equity and the effect of certain items in accumulated other comprehensive income (loss) excluded from tier 1 common capital, less goodwill and intangibles. A reconciliation of tier 1 common capital to common equity, a GAAP financial measure, is shown above. Other financial services companies may also use tier 1 common capital and definitions may vary, so users of this information are advised to exercise caution in comparing tier 1 common capital of different companies. Tier 1 common capital is included to support the tier 1 common capital ratio which is meaningful to investors to assess the quality and composition of the Company's capital

<sup>3</sup> Adjustments related to capital components for fully phased-in Basel III include deferred tax liabilities related to intangible assets and deduction for deferred tax assets

<sup>4</sup> Adjustments related to capital components for fully phased-in Basel III include the phase-in of the intangible asset exclusion

<sup>5</sup> Key differences under fully phased-in Basel III rules in the calculation of risk-weighted assets include higher risk weighting for past due loans and unfunded commitments

<sup>6</sup> As of January 1, 2015 regulatory capital ratios are calculated under Basel III rules subject to transition provisions. The Company reported under Basel I at December 31, 2014, September 30, 2014, June 30, 2014 and March 31, 2014

<sup>7</sup> Tier 1 common capital ratio is calculated using tier 1 common capital (Basel I), a non-GAAP measure, divided by risk weighted assets (Basel I)

<sup>8</sup> Common equity tier 1 capital ratio (Basel III fully phased-in) is calculated using common equity tier 1 capital (Basel III fully phased-in), a non-GAAP measure, divided by risk weighted assets (Basel III fully phased-in)