

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

	Quarter Ended					June 30, 2015 vs. June 30, 2014		Six Months Ended		2015 vs. 2014	
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014			Jun 30, 2015	Jun 30, 2014		
<u>EARNINGS SUMMARY</u>											
Interest Income	\$1,947	\$1,929	\$1,974	\$1,926	\$1,863	\$84	5%	\$3,876	\$3,696	\$180	5%
Interest Expense	311	300	302	288	274	37	14%	611	544	67	12%
Net Interest Income	1,636	1,629	1,672	1,638	1,589	47	3%	3,265	3,152	113	4%
Discount/Interchange Revenue	612	536	620	599	595	17	3%	1,148	1,114	34	3%
Rewards Cost	314	268	517	304	268	46	17%	582	533	49	9%
Discount and Interchange Revenue, net	298	268	103	295	327	(29)	(9%)	566	581	(15)	(3%)
Protection Products Revenue	68	71	75	78	78	(10)	(13%)	139	161	(22)	(14%)
Loan Fee Income	80	81	86	85	80	0	0%	161	163	(2)	(1%)
Transaction Processing Revenue	40	42	46	46	46	(6)	(13%)	82	90	(8)	(9%)
Other Income	53	80	55	48	52	1	2%	133	103	30	29%
Total Other Income	539	542	365	552	583	(44)	(8%)	1,081	1,098	(17)	(2%)
Revenue Net of Interest Expense	2,175	2,171	2,037	2,190	2,172	3	0%	4,346	4,250	96	2%
Provision for Loan Losses	306	390	457	354	360	(54)	(15%)	696	632	64	10%
Employee Compensation and Benefits	326	331	314	320	301	25	8%	657	608	49	8%
Marketing and Business Development	199	182	216	182	168	31	18%	381	337	44	13%
Information Processing & Communications	90	88	88	87	87	3	3%	178	171	7	4%
Professional Fees	153	127	128	111	112	41	37%	280	211	69	33%
Premises and Equipment	23	24	24	23	22	1	5%	47	45	2	4%
Other Expense	136	121	162	104	107	29	27%	257	209	48	23%
Total Other Expense	927	873	932	827	797	130	16%	1,800	1,581	219	14%
Income Before Income Taxes	942	908	648	1,009	1,015	(73)	(7%)	1,850	2,037	(187)	(9%)
Tax Expense	343	322	244	365	371	(28)	(8%)	665	762	(97)	(13%)
Net Income	\$599	\$586	\$404	\$644	\$644	(\$45)	(7%)	\$1,185	\$1,275	(\$90)	(7%)
Net Income Allocated to Common Stockholders	\$586	\$573	\$392	\$630	\$630	(\$44)	(7%)	\$1,159	\$1,248	(\$89)	(7%)
Effective Tax Rate	36.4%	35.5%	37.7%	36.2%	36.6%			35.9%	37.4%		
Net Interest Margin	9.63%	9.69%	9.76%	9.78%	9.84%	(21) bps		9.66%	9.86%	(20) bps	
Operating Efficiency	42.6%	40.2%	45.8%	37.8%	36.7%	593 bps		41.4%	37.2%	422 bps	
ROE	21%	21%	14%	23%	23%			21%	23%		
Ending Common Shares Outstanding	437	445	449	455	465	(28)	(6%)	437	465	(28)	(6%)
Weighted Average Common Shares Outstanding	441	448	452	460	466	(25)	(5%)	444	468	(24)	(5%)
Weighted Average Common Shares Outstanding (fully diluted)	442	448	453	461	467	(25)	(5%)	445	469	(24)	(5%)
<u>PER SHARE STATISTICS</u>											
Basic EPS	\$1.33	\$1.28	\$0.87	\$1.37	\$1.35	(\$0.02)	(1%)	\$2.61	\$2.66	(\$0.05)	(2%)
Diluted EPS	\$1.33	\$1.28	\$0.87	\$1.37	\$1.35	(\$0.02)	(1%)	\$2.61	\$2.66	(\$0.05)	(2%)
Common Stock Price (period end)	\$57.62	\$56.35	\$65.49	\$64.39	\$61.98	(\$4.36)	(7%)	\$57.62	\$61.98	(\$4.36)	(7%)
Book Value per share	\$25.75	\$25.22	\$24.79	\$24.82	\$24.46	\$1.29	5%	\$25.75	\$24.46	\$1.29	5%

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

DISCOVER FINANCIAL SERVICES
EARNINGS SUMMARY
(unaudited, in millions)

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	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014			Jun 30, 2015	Jun 30, 2014		
SEGMENT- INCOME BEFORE INCOME TAXES											
Direct Banking	\$914	\$881	\$646	\$981	\$984	(\$70)	(7%)	\$1,795	\$1,978	(\$183)	(9%)
Payment Services	28	27	2	28	31	(3)	(10%)	55	59	(4)	(7%)
Total	<u>\$942</u>	<u>\$908</u>	<u>\$648</u>	<u>\$1,009</u>	<u>\$1,015</u>	<u>(\$73)</u>	<u>(7%)</u>	<u>\$1,850</u>	<u>\$2,037</u>	<u>(\$187)</u>	<u>(9%)</u>
TRANSACTIONS PROCESSED ON NETWORKS											
Discover Network	512	456	523	522	514	(2)	(0%)	968	975	(7)	(1%)
PULSE Network	989	1,024	1,085	1,071	1,090	(101)	(9%)	2,013	2,127	(114)	(5%)
Total	<u>1,501</u>	<u>1,480</u>	<u>1,608</u>	<u>1,593</u>	<u>1,604</u>	<u>(103)</u>	<u>(6%)</u>	<u>2,981</u>	<u>3,102</u>	<u>(121)</u>	<u>(4%)</u>
NETWORK VOLUME											
PULSE Network	\$37,162	\$40,814	\$41,788	\$40,636	\$41,500	(\$4,338)	(10%)	\$77,976	\$83,427	(\$5,451)	(7%)
Network Partners	3,536	2,949	2,263	2,185	2,617	919	35%	6,485	4,998	1,487	30%
Diners Club International ¹	6,773	6,474	6,933	6,777	6,733	40	1%	13,247	13,260	(13)	0%
Total Payment Services	47,471	50,237	50,984	49,598	50,850	(3,379)	(7%)	97,708	101,685	(3,977)	(4%)
Discover Network - Proprietary	31,084	27,324	32,005	30,577	30,342	742	2%	58,408	56,889	1,519	3%
Total	<u>\$78,555</u>	<u>\$77,561</u>	<u>\$82,989</u>	<u>\$80,175</u>	<u>\$81,192</u>	<u>(\$2,637)</u>	<u>(3%)</u>	<u>\$156,116</u>	<u>\$158,574</u>	<u>(\$2,458)</u>	<u>(2%)</u>

¹ 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

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

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

	Quarter Ended					June 30, 2015 vs. June 30, 2014	
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014		
BALANCE SHEET SUMMARY							
Assets							
Cash and Investment Securities	\$14,050	\$14,701	\$11,339	\$11,480	\$11,254	\$2,796	25%
Total Loan Receivables	69,028	67,648	69,969	67,366	65,875	3,153	5%
Allowance for Loan Losses	(1,735)	(1,776)	(1,746)	(1,644)	(1,614)	(121)	(7%)
Net Loan Receivables	67,293	65,872	68,223	65,722	64,261	3,032	5%
Premises and Equipment, net	688	678	670	661	665	23	3%
Goodwill and Intangible Assets, net	425	432	433	461	463	(38)	(8%)
Other Assets	2,455	2,495	2,461	2,272	2,294	161	7%
Total Assets	\$84,911	\$84,178	\$83,126	\$80,596	\$78,937	\$5,974	8%
Liabilities & Stockholders' Equity							
Direct to Consumer and Affinity Deposits	\$29,498	\$29,303	\$28,766	\$28,830	\$28,739	\$759	3%
Brokered Deposits and Other Deposits	16,818	17,124	17,323	16,552	15,706	1,112	7%
Deposits	46,316	46,427	46,089	45,382	44,445	1,871	4%
Borrowings	24,243	23,090	22,657	21,057	20,177	4,066	20%
Accrued Expenses and Other Liabilities	3,089	3,450	3,246	2,856	2,934	155	5%
Total Liabilities	73,648	72,967	71,992	69,295	67,556	6,092	9%
Total Equity	11,263	11,211	11,134	11,301	11,381	(118)	(1%)
Total Liabilities and Stockholders' Equity	\$84,911	\$84,178	\$83,126	\$80,596	\$78,937	\$5,974	8%
LIQUIDITY							
Liquidity Portfolio	\$12,781	\$14,162	\$10,752	\$10,944	\$10,337	\$2,444	24%
Undrawn Credit Facilities ¹	25,029	24,340	23,524	22,877	22,964	2,065	9%
Total Liquidity	\$37,810	\$38,502	\$34,276	\$33,821	\$33,301	\$4,509	14%
BALANCE SHEET STATISTICS							
Total Common Equity	\$10,703	\$10,651	\$10,574	\$10,741	\$10,821	(\$118)	(1%)
Total Common Equity/Total Assets	12.6%	12.7%	12.7%	13.3%	13.7%		
Total Common Equity/Net Loans	15.9%	16.2%	15.5%	16.3%	16.8%		
Tangible Assets	\$84,486	\$83,746	\$82,693	\$80,135	\$78,474	\$6,012	8%
Tangible Common Equity ²	\$10,278	\$10,219	\$10,141	\$10,280	\$10,358	(\$80)	(1%)
Tangible Common Equity/Tangible Assets ²	12.2%	12.2%	12.3%	12.8%	13.2%		
Tangible Common Equity/Net Loans ²	15.3%	15.5%	14.9%	15.6%	16.1%		
Tangible Common Equity per share ²	\$23.50	\$22.99	\$22.58	\$22.57	\$22.26	\$1.24	6%
REGULATORY CAPITAL RATIOS							
	Basel III Transition			Basel I			
Total Risk Based Capital Ratio ³	17.2%	17.6%	17.0%	17.8%	18.3%		
Tier 1 Risk Based Capital Ratio ³	15.3%	15.6%	14.9%	15.6%	16.0%		
Tier 1 Common Capital Ratio ^{3,4}	N/A	N/A	14.1%	14.8%	15.2%		
Tier 1 Leverage Ratio ³	13.2%	13.3%	13.2%	13.7%	14.0%		
Common Equity Tier 1 Capital Ratio ⁵	14.5%	14.8%	N/A	N/A	N/A		
	Basel III Fully Phased-in						
Common Equity Tier 1 Capital Ratio ⁵	14.4%	14.7%	14.1%	14.7%	N/A		
RATIO OF EARNINGS TO FIXED CHARGES							
Ratio of Earnings to Fixed Charges ⁶	4.0	4.1	4.3	4.7	4.7		

¹ Excludes investments pledged to the Federal Reserve, which is included within the liquidity portfolio

² 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

³ 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, and June 30, 2014

⁴ 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

⁵ 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

⁶ Fixed charges are the sum of interest expense, amortized premiums, discounts and capitalized expenses related to indebtedness and an estimate of interest within rental expense

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

	Quarter Ended					June 30, 2015 vs. June 30, 2014	
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014		
<u>AVERAGE BALANCES</u>							
Assets							
Cash and Investment Securities	\$13,219	\$12,148	\$11,886	\$10,742	\$11,037	\$2,182	20%
Restricted Cash	686	605	242	498	563	123	22%
Credit Card Loans	53,987	54,038	54,169	53,130	51,718	2,269	4%
Private Student Loans	8,597	8,721	8,478	8,310	8,301	296	4%
Personal Loans	5,131	5,047	4,954	4,718	4,426	705	16%
Other Loans	385	342	329	323	283	102	36%
Total Loans	<u>68,100</u>	<u>68,148</u>	<u>67,930</u>	<u>66,481</u>	<u>64,728</u>	<u>3,372</u>	5%
Total Interest Earning Assets	82,005	80,901	80,058	77,721	76,328	5,677	7%
Allowance for Loan Losses	(1,807)	(1,753)	(1,676)	(1,625)	(1,599)	(208)	(13%)
Other Assets	4,466	4,439	4,303	4,289	4,253	213	5%
Total Assets	<u>\$84,664</u>	<u>\$83,587</u>	<u>\$82,685</u>	<u>\$80,385</u>	<u>\$78,982</u>	<u>\$5,682</u>	7%
Liabilities and Stockholders' Equity							
Direct to Consumer and Affinity Deposits	\$29,194	\$28,891	\$28,828	\$28,835	\$28,752	\$442	2%
Brokered Deposits and Other Deposits	16,904	17,096	16,755	15,810	15,638	1,266	8%
Total Interest-bearing Deposits	46,098	45,987	45,583	44,645	44,390	1,708	4%
Short-term Borrowings	153	126	107	129	113	40	35%
Securitized Borrowings	17,351	17,220	17,219	16,535	15,976	1,375	9%
Other Long-term Borrowings	6,028	5,307	4,950	4,341	3,889	2,139	55%
Total Interest-bearing Liabilities	69,630	68,640	67,859	65,650	64,368	5,262	8%
Other Liabilities & Stockholders' Equity	15,034	14,947	14,826	14,735	14,614	420	3%
Total Liabilities and Stockholders' Equity	<u>\$84,664</u>	<u>\$83,587</u>	<u>\$82,685</u>	<u>\$80,385</u>	<u>\$78,982</u>	<u>\$5,682</u>	7%
<u>AVERAGE RATES</u>							
Assets							
Cash and Investment Securities	0.59%	0.62%	0.72%	0.80%	0.76%	(17) bps	
Restricted Cash	0.13%	0.11%	0.10%	0.09%	0.08%	5 bps	
Credit Card Loans	12.04%	12.05%	12.08%	12.04%	12.10%	(6) bps	
Private Student Loans	6.91%	6.95%	6.85%	6.82%	6.84%	7 bps	
Personal Loans	12.12%	12.19%	12.25%	12.21%	12.49%	(37) bps	
Other Loans	4.62%	4.23%	3.78%	3.83%	3.69%	93 bps	
Total Loans	11.35%	11.37%	11.40%	11.36%	11.42%	(7) bps	
Total Interest Earning Assets	9.52%	9.67%	9.78%	9.83%	9.79%	(27) bps	
Liabilities and Stockholders' Equity							
Direct to Consumer and Affinity Deposits	1.23%	1.25%	1.26%	1.26%	1.27%	(4) bps	
Brokered Deposits and Other Deposits	1.55%	1.50%	1.53%	1.54%	1.54%	1 bps	
Total Interest-bearing Deposits	1.35%	1.34%	1.36%	1.36%	1.37%	(2) bps	
Short-term Borrowings	1.37%	1.43%	1.54%	1.42%	1.60%	(23) bps	
Securitized Borrowings	1.91%	1.89%	1.88%	1.82%	1.74%	17 bps	
Other Long-term Borrowings	4.90%	5.11%	5.09%	5.28%	5.54%	(64) bps	
Total Interest-bearing Liabilities	1.80%	1.77%	1.77%	1.74%	1.71%	9 bps	
Net Interest Margin	9.63%	9.69%	9.76%	9.78%	9.84%	(21) bps	
Net Yield on Interest-earning Assets	8.00%	8.17%	8.28%	8.36%	8.35%	(35) bps	

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DISCOVER FINANCIAL SERVICES

LOAN STATISTICS

(unaudited, in millions)

	Quarter Ended					June 30, 2015 vs. June 30, 2014		Six Months Ended		2015 vs. 2014	
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014			Jun 30, 2015	Jun 30, 2014		
TOTAL LOAN RECEIVABLES											
Ending Loans ^{1,2}	\$69,028	\$67,648	\$69,969	\$67,366	\$65,875	\$3,153	5%	\$69,028	\$65,875	\$3,153	5%
Average Loans ^{1,2}	\$68,100	\$68,148	\$67,930	\$66,481	\$64,728	\$3,372	5%	\$68,124	\$64,479	\$3,645	6%
Interest Yield	11.35%	11.37%	11.40%	11.36%	11.42%	(7) bps		11.36%	11.43%	(7) bps	
Gross Principal Charge-off Rate	2.76%	2.82%	2.70%	2.63%	2.82%	(6) bps		2.79%	2.82%	(3) bps	
Gross Principal Charge-off Rate excluding PCI Loans ³	2.91%	2.98%	2.86%	2.79%	3.01%	(10) bps		2.95%	3.01%	(6) bps	
Net Principal Charge-off Rate	2.05%	2.14%	2.06%	1.94%	2.08%	(3) bps		2.10%	2.08%	2 bps	
Net Principal Charge-off Rate excluding PCI Loans ³	2.16%	2.26%	2.18%	2.06%	2.22%	(6) bps		2.21%	2.22%	(1) bps	
Delinquency Rate (over 30 days) excluding PCI Loans ^{3,4}	1.49%	1.57%	1.66%	1.64%	1.56%	(7) bps		1.49%	1.56%	(7) bps	
Delinquency Rate (over 90 days) excluding PCI Loans ^{3,4}	0.69%	0.78%	0.78%	0.75%	0.73%	(4) bps		0.69%	0.73%	(4) bps	
Gross Principal Charge-off Dollars	\$469	\$474	\$463	\$440	\$455	\$14	3%	\$944	\$902	\$42	5%
Net Principal Charge-off Dollars	\$347	\$360	\$355	\$324	\$337	\$10	3%	\$707	\$666	\$41	6%
Net Interest and Fee Charge-off Dollars	\$87	\$95	\$91	\$85	\$87	\$0	0%	\$182	\$176	\$6	3%
Loans Delinquent Over 30 Days ^{3,4}	\$980	\$1,006	\$1,100	\$1,043	\$964	\$16	2%	\$980	\$964	\$16	2%
Loans Delinquent Over 90 Days ^{3,4}	\$450	\$500	\$517	\$476	\$451	(\$1)	0%	\$450	\$451	(\$1)	(0%)
Allowance for Loan Loss (period end)	\$1,735	\$1,776	\$1,746	\$1,644	\$1,614	\$121	7%	\$1,735	\$1,614	\$121	7%
Change in Loan Loss Reserves	(\$41)	\$30	\$102	\$30	\$23	(\$64)	NM	(\$11)	(\$34)	\$23	68%
Reserve Rate	2.51%	2.63%	2.50%	2.44%	2.45%	6 bps		2.51%	2.45%	6 bps	
Reserve Rate Excluding PCI Loans ³	2.60%	2.72%	2.59%	2.54%	2.56%	4 bps		2.60%	2.56%	4 bps	
CREDIT CARD LOANS											
Ending Loans	\$54,949	\$53,499	\$56,128	\$53,699	\$52,742	\$2,207	4%	\$54,949	\$52,742	\$2,207	4%
Average Loans	\$53,987	\$54,038	\$54,168	\$53,130	\$51,718	\$2,269	4%	\$54,013	\$51,534	\$2,479	5%
Interest Yield	12.04%	12.05%	12.08%	12.04%	12.10%	(6) bps		12.04%	12.12%	(8) bps	
Gross Principal Charge-off Rate	3.14%	3.21%	3.03%	2.99%	3.22%	(8) bps		3.18%	3.22%	(4) bps	
Net Principal Charge-off Rate	2.28%	2.40%	2.26%	2.16%	2.33%	(5) bps		2.34%	2.32%	2 bps	
Delinquency Rate (over 30 days) ⁴	1.55%	1.64%	1.73%	1.71%	1.63%	(8) bps		1.55%	1.63%	(8) bps	
Delinquency Rate (over 90 days) ⁴	0.75%	0.86%	0.85%	0.82%	0.80%	(5) bps		0.75%	0.80%	(5) bps	
Gross Principal Charge-off Dollars	\$423	\$428	\$413	\$400	\$415	\$8	2%	\$851	\$823	\$28	3%
Net Principal Charge-off Dollars	\$307	\$319	\$309	\$289	\$300	\$7	2%	\$626	\$594	\$32	5%
Loans Delinquent Over 30 Days ⁴	\$850	\$879	\$971	\$920	\$860	(\$10)	(1%)	\$850	\$860	(\$10)	(1%)
Loans Delinquent Over 90 Days ⁴	\$414	\$458	\$480	\$440	\$420	(\$6)	(1%)	\$414	\$420	(\$6)	(1%)
Allowance for Loan Loss (period end)	\$1,441	\$1,492	\$1,474	\$1,388	\$1,359	\$82	6%	\$1,441	\$1,359	\$82	6%
Change in Loan Loss Reserves	(\$51)	\$18	\$86	\$29	\$17	(\$68)	NM	(\$33)	(\$47)	\$14	30%
Reserve Rate	2.62%	2.79%	2.63%	2.58%	2.58%	4 bps		2.62%	2.58%	4 bps	
Total Discover Card Volume	\$32,299	\$28,725	\$33,211	\$32,091	\$31,732	\$567	2%	\$61,024	\$59,809	\$1,215	2%
Discover Card Sales Volume	\$30,017	\$26,379	\$30,871	\$29,609	\$29,341	\$676	2%	\$56,396	\$55,038	\$1,358	2%
Rewards Rate	1.05%	1.02%	1.67%	1.03%	0.91%	14 bps		1.03%	0.97%	6 bps	

¹ Total Loans includes mortgages and other loans

² 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

³ 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

⁴ 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					June 30, 2015 vs. June 30, 2014		Six Months Ended		2015 vs. 2014	
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014			Jun 30, 2015	Jun 30, 2014		
<u>PRIVATE STUDENT LOANS</u>											
Ending Loans	\$8,520	\$8,696	\$8,510	\$8,494	\$8,251	\$269	3%	\$8,520	\$8,251	\$269	3%
Ending PCI Loans ¹	\$3,381	\$3,519	\$3,660	\$3,788	\$3,915	(\$534)	(14%)	\$3,381	\$3,915	(\$534)	(14%)
Interest Yield	6.91%	6.95%	6.85%	6.82%	6.84%	7 bps		6.93%	6.84%	9 bps	
Net Principal Charge-off Rate	0.61%	0.61%	0.79%	0.61%	0.68%	(7) bps		0.61%	0.67%	(6) bps	
Net Principal Charge-off Rate excluding PCI Loans ²	1.02%	1.03%	1.40%	1.14%	1.30%	(28) bps		1.02%	1.31%	(29) bps	
Delinquency Rate (over 30 days) excluding PCI Loans ²	1.78%	1.66%	1.80%	1.78%	1.66%	12 bps		1.78%	1.66%	12 bps	
Reserve Rate	1.68%	1.63%	1.59%	1.56%	1.55%	13 bps		1.68%	1.55%	13 bps	
Reserve Rate Excluding PCI Loans ²	2.23%	2.18%	2.20%	2.21%	2.29%	(6) bps		2.23%	2.29%	(6) bps	
<u>PERSONAL LOANS</u>											
Ending Loans	\$5,183	\$5,065	\$5,007	\$4,830	\$4,579	\$604	13%	\$5,183	\$4,579	\$604	13%
Interest Yield	12.12%	12.19%	12.25%	12.21%	12.49%	(37) bps		12.16%	12.52%	(36) bps	
Net Principal Charge-off Rate	2.10%	2.22%	2.20%	1.92%	1.95%	15 bps		2.16%	2.01%	15 bps	
Delinquency Rate (over 30 days)	0.71%	0.76%	0.79%	0.75%	0.66%	5 bps		0.71%	0.66%	5 bps	
Reserve Rate	2.54%	2.43%	2.40%	2.23%	2.37%	17 bps		2.54%	2.37%	17 bps	

¹ 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

² 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					June 30, 2015 vs.		Six Months Ended		2015 vs. 2014	
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	June 30, 2015 vs. June 30, 2014		Jun 30, 2015	Jun 30, 2014		
<u>DIRECT BANKING</u>											
Interest Income	\$1,947	\$1,929	\$1,974	\$1,926	\$1,863	\$84	5%	\$3,876	\$3,696	\$180	5%
Interest Expense	311	300	302	288	274	37	14%	611	544	67	12%
Net Interest Income	1,636	1,629	1,672	1,638	1,589	47	3%	3,265	3,152	113	4%
Other Income	468	468	286	475	503	(35)	(7%)	936	939	(3)	0%
Revenue Net of Interest Expense	2,104	2,097	1,958	2,113	2,092	12	1%	4,201	4,091	110	3%
Provision for Loan Losses	306	388	454	356	360	(54)	(15%)	694	630	64	10%
Total Other Expense	884	828	858	776	748	136	18%	1,712	1,483	229	15%
Income Before Income Taxes	\$914	\$881	\$646	\$981	\$984	(\$70)	(7%)	\$1,795	\$1,978	(\$183)	(9%)
Net Interest Margin	9.63%	9.70%	9.77%	9.79%	9.85%	(22) bps		9.67%	9.87%	(20) bps	
Pretax Return on Loan Receivables	5.38%	5.24%	3.78%	5.86%	6.10%	(72) bps		5.31%	6.19%	(88) bps	
<u>PAYMENT SERVICES</u>											
Interest Income	\$-	\$-	\$-	\$-	\$-	\$-	NM	\$-	\$-	\$-	NM
Interest Expense	-	-	-	-	-	-	NM	-	-	-	NM
Net Interest Income	-	-	-	-	-	-	NM	-	-	-	NM
Other Income	71	74	79	77	80	(9)	(11%)	145	159	(14)	(9%)
Revenue Net of Interest Expense	71	74	79	77	80	(9)	(11%)	145	159	(14)	(9%)
Provision for Loan Losses	-	2	3	(2)	-	-	NM	2	2	0	0%
Total Other Expense	43	45	74	51	49	(6)	(12%)	88	98	(10)	(10%)
Income Before Income Taxes	\$28	\$27	\$2	\$28	\$31	(\$3)	(10%)	\$55	\$59	(\$4)	(7%)

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

Ratio of Earnings to Fixed Charges represents income before income tax expense and fixed charges divided by fixed charges for the reporting period. Fixed charges are the sum of interest expense, amortized premiums, discounts and capitalized expenses related to indebtedness and an estimate of interest within rental expense for the reporting period

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				
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014
GAAP total common equity	\$10,703	\$10,651	\$10,574	\$10,741	\$10,821
Less: Goodwill	(255)	(257)	(257)	(284)	(284)
Less: Intangibles	(170)	(175)	(176)	(177)	(179)
Tangible common equity ¹	\$10,278	\$10,219	\$10,141	\$10,280	\$10,358
Effect of certain items in accumulated other comprehensive income (loss) excluded from tier 1 common capital			138	70	73
Total tier 1 common capital (Basel I) ²			\$10,279	\$10,350	\$10,431
Add: Adjustments related to capital components ³			26	21	N/A
Common equity Tier 1 capital (Basel III fully phased-in)			<u>\$10,305</u>	<u>\$10,371</u>	<u>N/A</u>
Common equity Tier 1 capital (Basel III transition)	\$10,552	\$10,497			
Adjustments related to capital components during transition ⁴	(83)	(87)			
Common equity Tier 1 capital (Basel III fully phased-in)	<u>\$10,469</u>	<u>\$10,410</u>			
Risk weighted assets (Basel I)	N/A	N/A	\$72,889	\$70,132	\$68,755
Risk weighted assets (Basel III transition)	\$72,658	\$70,868	N/A	N/A	N/A
Risk weighted assets (Basel III fully phased-in) ⁵	\$72,555	\$70,762	\$73,315	\$70,560	N/A
Tier 1 common capital ratio (Basel I) ^{6,7}	N/A	N/A	14.1%	14.8%	15.2%
Common equity Tier 1 capital ratio (Basel III transition) ⁶	14.5%	14.8%	N/A	N/A	N/A
Common equity Tier 1 capital ratio (Basel III fully phased-in) ^{6,8}	14.4%	14.7%	14.1%	14.7%	N/A
GAAP book value per share	\$25.75	\$25.22	\$24.79	\$24.82	\$24.46
Less: Goodwill	(0.58)	(0.58)	(0.57)	(0.62)	(0.62)
Less: Intangibles	(0.39)	(0.39)	(0.39)	(0.39)	(0.38)
Less: Preferred Stock	(1.28)	(1.26)	(1.25)	(1.23)	(1.20)
Tangible common equity per share	<u>\$23.50</u>	<u>\$22.99</u>	<u>\$22.58</u>	<u>\$22.58</u>	<u>\$22.26</u>

¹ 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

² 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

³ 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

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

⁵ 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

⁶ 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, and June 30, 2014

⁷ 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)

⁸ 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)

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