



2019 and 4Q19 Financial Results

January 23, 2020

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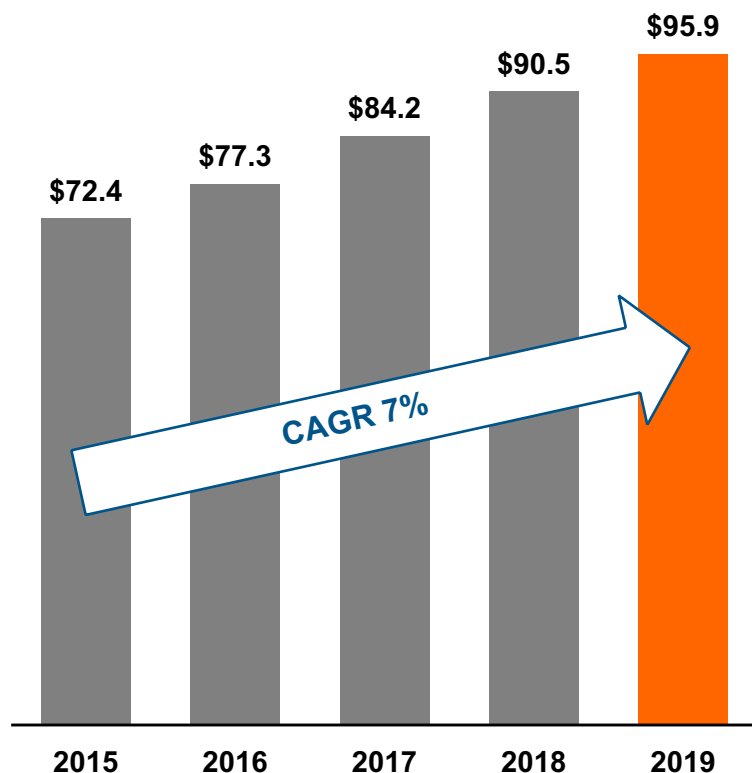
The presentation contains forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's estimates, projections, expectations or beliefs at that time, and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of certain risks and uncertainties that may affect the future results of the Company, please see "Special Note Regarding Forward-Looking Statements," "Risk Factors," "Business – Competition," "Business – Supervision and Regulation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, and "Management's Discussion & Analysis of Financial Condition and Results of Operations" in the company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2019, June 30, 2019, September 30, 2019 which are filed with the SEC and available at the SEC's website (www.sec.gov). The Company does not undertake to update or revise forward-looking statements as more information becomes available.

- Solid execution of strategy drove net income of \$3Bn, up 8%; diluted EPS of \$9.08; return on equity of 26%
- Net revenue up 7% driven by loan growth of 6% and net interest margin expansion
- Strong credit performance benefited from:
 - Disciplined underwriting and line management
 - Impact of advanced analytics in servicing and collections
 - Continued growth in employment and average wages
- Payment Services continued to have strong network volume growth (up 8%)
- Continued to invest in global acceptance and new capabilities

Note(s)

All comparisons stated on a year-over-year basis

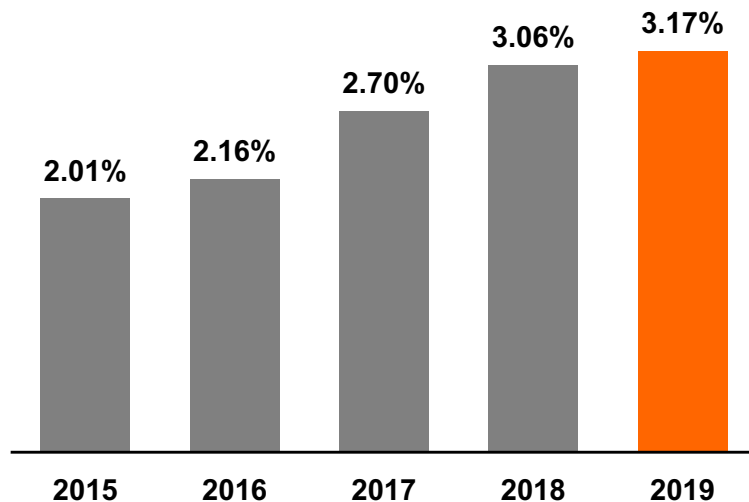
Ending Loans (\$Bn)



Highlights

- Solid loan growth of 6% in Card on strong customer engagement and new account growth
- Organic Student Loans grew 9% driven by strong originations
- Growth of 3% in Personal Loans driven by enhanced acquisition and underwriting capabilities

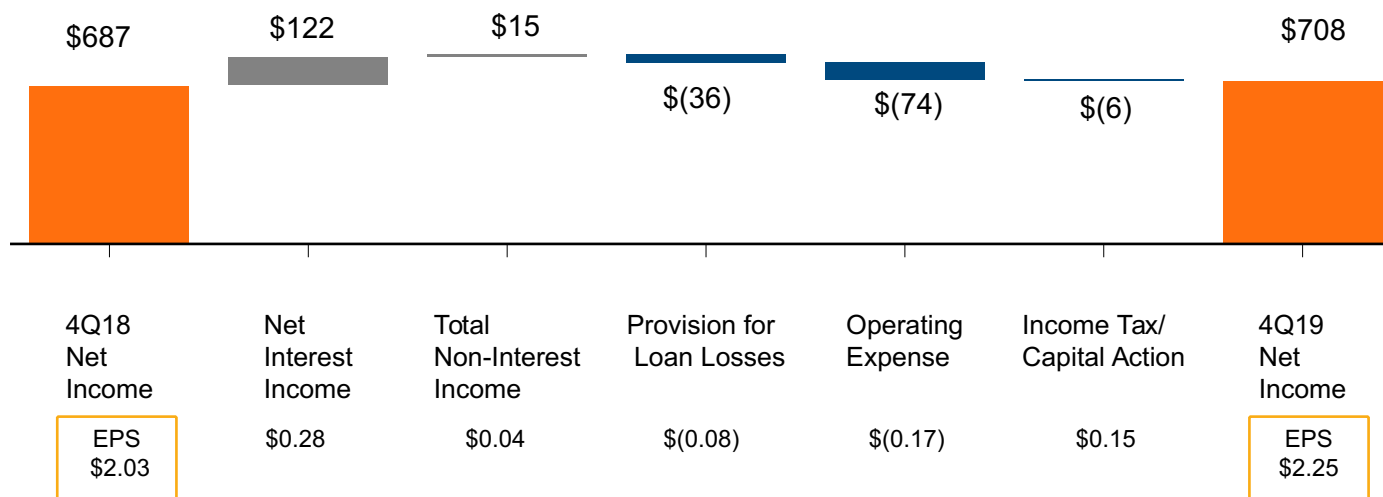
Total Net Charge-off Rate



Highlights

- Credit performance in Card driven principally by seasoning of loan growth
- Student Loan credit performance remains strong benefiting from improved collection strategy
- Personal Loan losses stabilized driven by credit tightening and modeling enhancements

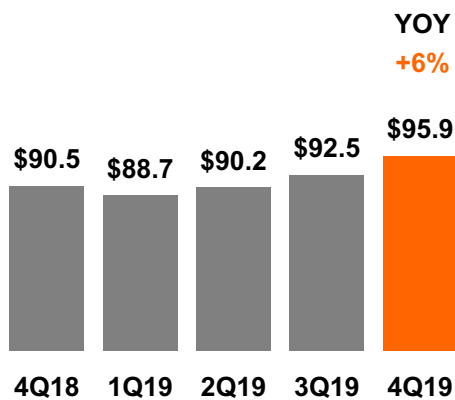
Year-Over-Year Net Income & EPS (\$MM, except EPS)



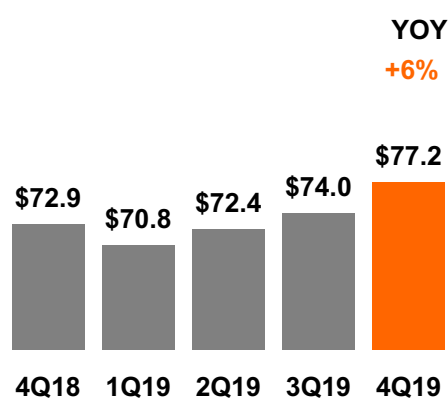
Highlights

- Revenue net of interest expense was \$2.9Bn, up 5%, driven by higher net interest income
- Provision for loan losses increased \$36MM, or 5%, driven by the impact of higher net charge-offs partially offset by a lower reserve build
- Expenses rose \$74MM, or 7%, primarily driven by higher compensation expense, as well as investments to support growth and new capabilities
- Net income of \$708M up 3%; diluted EPS of \$2.25, up 11%

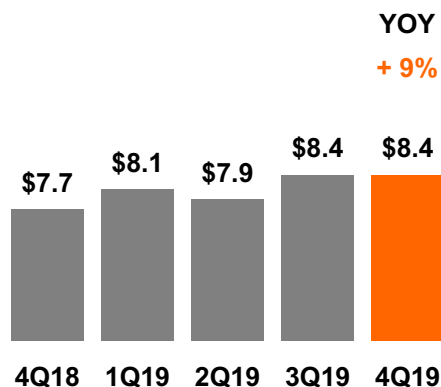
Total



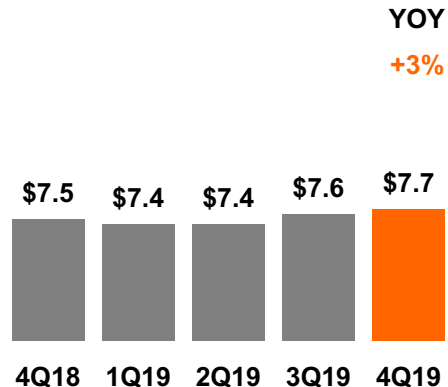
Card



Organic Student



Personal

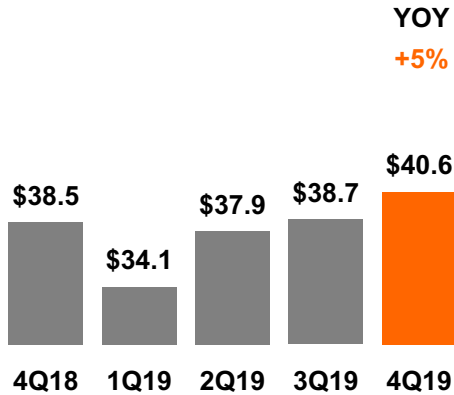


Highlights

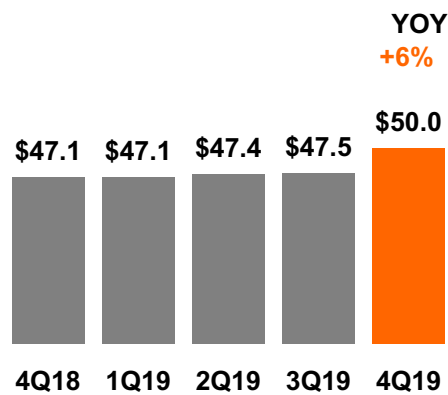
- Card receivables increased 6% primarily from high APR standard merchandise balances
- Organic Student Loan growth remained in line with expectations reflecting our strong competitive position
- Personal Loan growth modestly above expectations

DISCOVER® | 4Q19 Payments Volume (\$Bn)

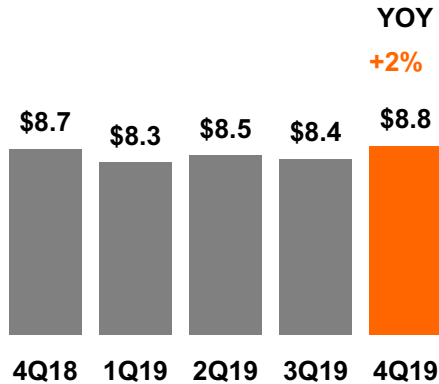
Discover Network



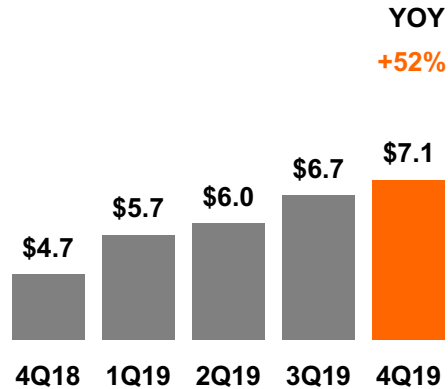
PULSE



Diners ⁽¹⁾



Network Partners



Total Network Volume up 8% YOY

Highlights

- Discover Network volume increased 5%
- PULSE volume up 6% driven by incremental volume from new and existing issuers and acquirers
- Diners Club volume up 2% from the prior year
- 52% increase in Network Partners volume driven primarily by AribaPay

Note(s)

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

(\$MM)	4Q19	4Q18	Inc / (Dec)	
			\$	%
Interest Income	\$3,039	\$2,907	\$132	5%
Interest Expense	615	605	10	2%
Net Interest Income	2,424	2,302	122	5%
Discount/Interchange Revenue	800	752	48	6%
Rewards Cost	519	475	44	9%
Net Discount/Interchange Revenue	281	277	4	1%
Protection Products Revenue	48	50	(2)	(4%)
Loan Fee Income	123	108	15	14%
Transaction Processing Revenue	51	46	5	11%
Other Income	17	24	(7)	(29%)
Total Non-Interest Income	520	505	15	3%
Revenue Net of Interest Expense	\$2,944	\$2,807	\$137	5%

(\$MM)	4Q19	4Q18	Change	
			QOQ	YOY
Discover Card Sales Volume	\$39,188	\$37,208	5%	5%
Rewards Rate ⁽¹⁾	1.32%	1.28%	-6bps	4bps
NIM on Loans	10.29%	10.35%	-14bps	-6bps

Note(s)

1. Rewards cost divided by Discover card sales volume

Highlights

- Loan growth, partially offset by NIM compression, drove 5% increase in net interest income
- Net discount and interchange revenue was essentially flat as the impact of increased sales volume was offset by higher rewards cost
- Higher loan fee income reflects increased late fees driven by more instances and pricing adjustments
- Rewards rate was up 4bps YOY reflecting a shift in the 5% category (Amazon, Target & Walmart.com in 4Q19 vs. Amazon & Warehouse in 4Q18)

DISCOVER® | 4Q19 Net Interest Margin Drivers

Interest-Earning Assets (\$MM)	4Q19		4Q18	
	Average Balance	Yield	Average Balance	Yield
Credit Card	\$74,814	13.08%	\$70,563	13.20%
Private Student	9,660	8.43%	9,344	8.31%
Personal	7,675	13.23%	7,540	12.76%
Other	1,288	6.27%	760	6.57%
Total Loans	93,437	12.52%	88,207	12.59%
Other Interest-Earning Assets	17,637	2.05%	18,269	2.33%
Total Interest-Earning Assets	\$111,074	10.86%	\$106,476	10.83%

Interest-Bearing Liabilities (\$MM)	4Q19		4Q18	
	Average Balance	Rate	Average Balance	Rate
Direct to Consumer and Affinity	\$52,992	2.03%	\$43,514	2.00%
Brokered Deposits and Other	17,865	2.72%	21,574	2.58%
Interest Bearing Deposits	70,857	2.20%	65,088	2.20%
Borrowings	25,104	3.50%	27,185	3.57%
Total Interest-Bearing Liabilities	\$95,961	2.54%	\$92,273	2.60%

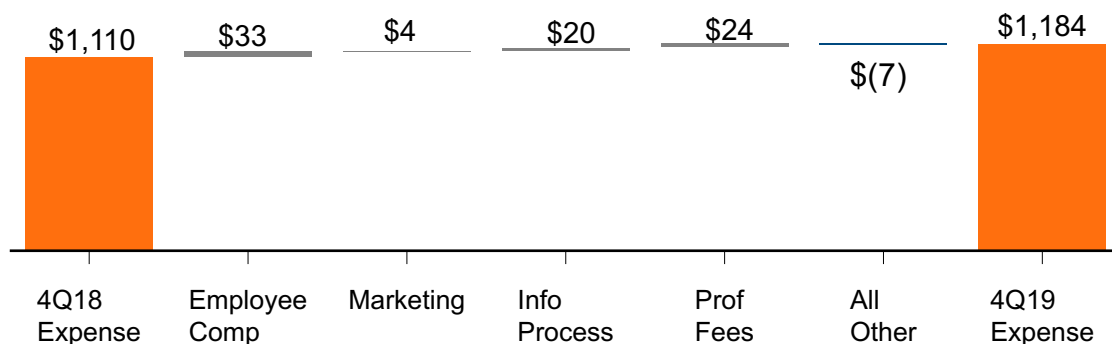
(%)	Change		
	4Q19	QOQ	YOY
Total Interest Yield on Loans	12.52%	-24bps	-7bps
NIM on Loans	10.29%	-14bps	-6bps
NIM on Interest-Earning Assets	8.66%	-6bps	9bps

Highlights

- Credit card yield of 13.08% was down 12 bps driven by recent prime rate decreases and higher interest charge-offs partially offset by favorable revolve rate and promo mix
- Average consumer deposits of \$53Bn grew 22% and composed 55% of total funding
- The rate on average interest-bearing liabilities was 2.54%, down 6 bps from prior year, primarily driven by lower market rates
- Net interest margin on loans was 10.29% down 6 bps as lower loan yields were partially offset by lower funding costs

DISCOVER® | 4Q19 Operating Expense

Year-Over-Year Expense (\$MM)



(\$MM)	4Q19	4Q18	Inc / (Dec)	
			\$	%
Employee Compensation and Benefits	\$447	\$414	\$33	8%
Marketing and Business Development	234	230	4	2%
Information Processing & Communications	113	93	20	22%
Professional Fees	214	190	24	13%
Premises and Equipment	27	26	1	4%
Other Expense	149	157	(8)	(5%)
Total Operating Expense	\$1,184	\$1,110	\$74	7%
Operating Efficiency⁽¹⁾	40.2%	39.6%		(60) bps

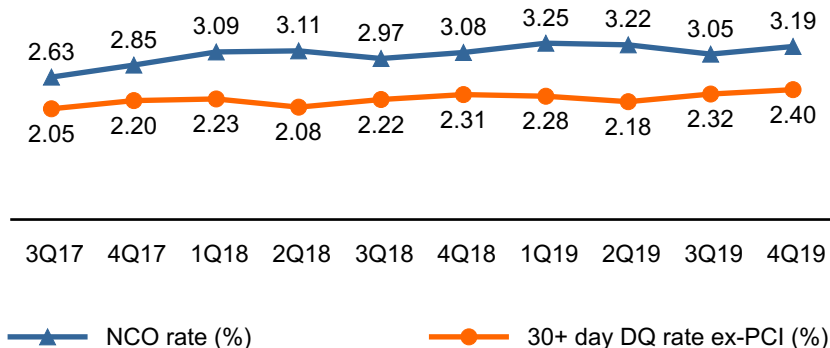
Note(s)

1. Defined as reported total operating expense divided by revenue net of interest expense

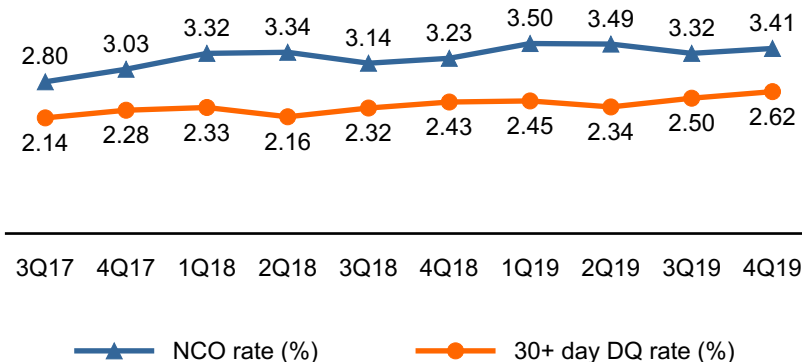
Highlights

- Employee compensation and benefits up 8%, primarily due to higher average salaries and benefits in addition to a modest increase in headcount
- Information processing up 22% as a result of investments in infrastructure and analytic capabilities
- Professional fees up 13%, primarily related to achieving a higher level of recoveries

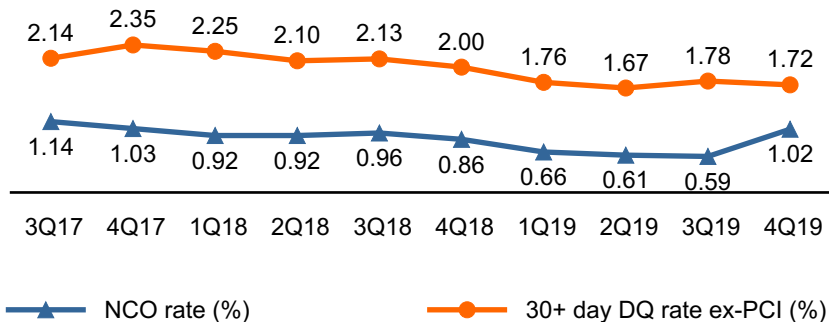
Total Company Loans



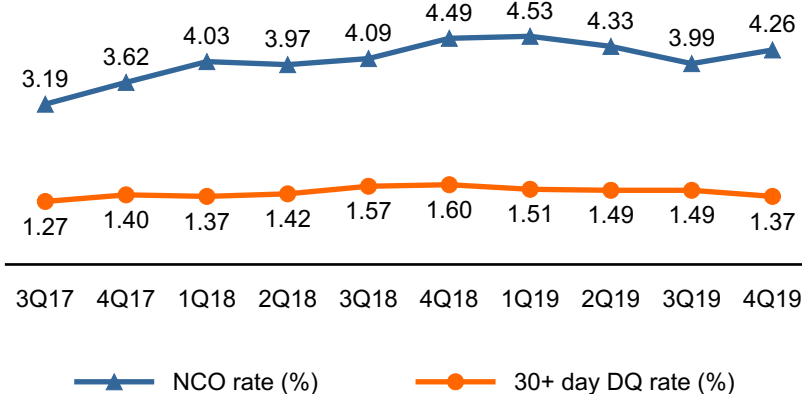
Credit Card Loans



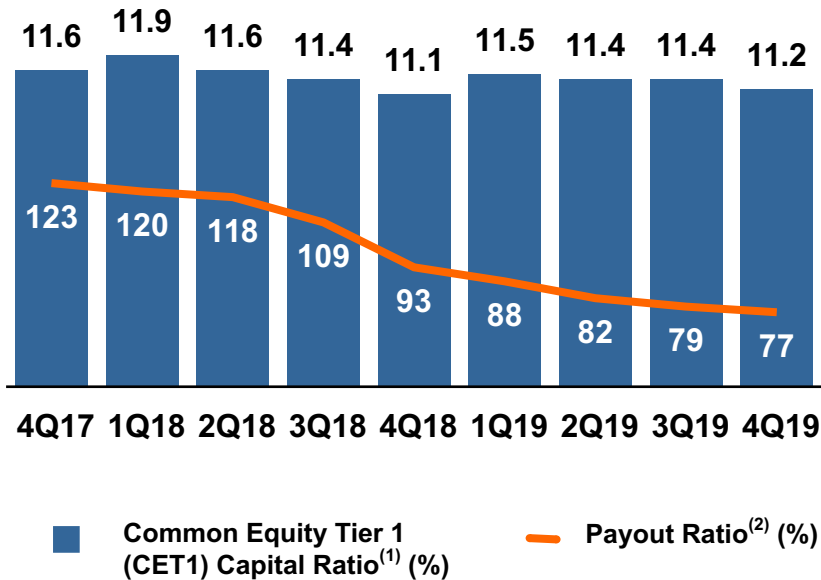
Private Student Loans



Personal Loans



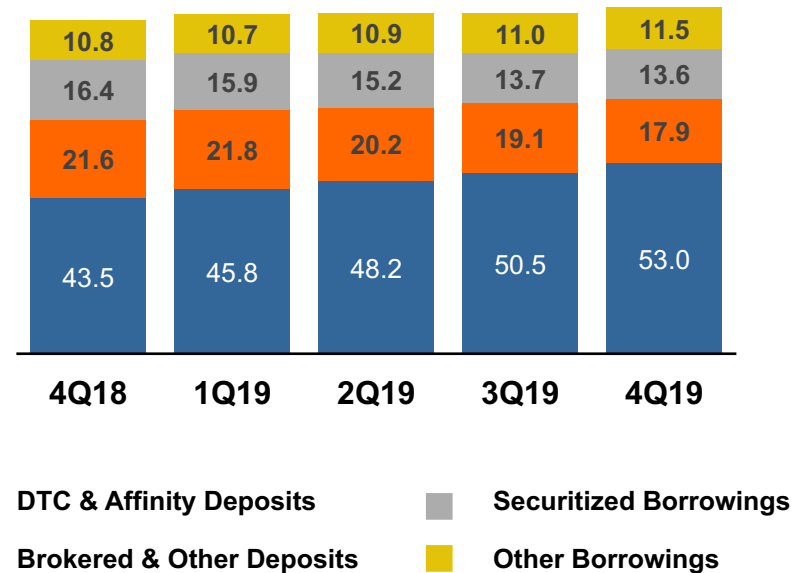
Capital Trends



Note(s)

1. Common Equity Tier 1 Capital Ratio (Basel III Transition)
2. Payout Ratio is displayed on a trailing twelve month basis. This represents the trailing twelve months' Capital Return to Common Stockholders divided by the trailing twelve months' Net Income Allocated to Common Stockholders

Funding Trends (\$Bn, Average Balance)



	4Q18	1Q19	2Q19	3Q19	4Q19
DTC & Affinity Deposits	47%	49%	51%	53%	55%
Brokered & Other Deposits	23%	23%	21%	20%	19%
Securitized Borrowings	18%	17%	16%	15%	14%
Other Borrowings	12%	11%	12%	12%	12%

		2018 Actual	2019 Guidance	2019 Actual	Drivers
✓	Total Loan Growth	7%	6 - 8%	6%	<ul style="list-style-type: none"> • 6% growth in card on strong customer engagement and new account growth • Total student loans up 3% and organic loans up 9% reflecting strong competitive position • Personal loans up 3%, modestly above expectations
✓	Operating Expense	\$4.1 Bn	\$4.3 - \$4.4 Bn	\$4.4 Bn	<ul style="list-style-type: none"> • Continued investments in technology to drive innovation and efficiencies in our products and customer service, as well as investments in the brand and expanding global acceptance
✓	Rewards Rate	1.29%	1.32 - 1.34%	1.33%	<ul style="list-style-type: none"> • Strong engagement in the rotating 5% rewards categories and new account growth
✓	Total Company NIM	10.27%	10.4% +	10.41%	<ul style="list-style-type: none"> • Reflects the benefit of a higher avg prime rate, a favorable revolve rate in card and a lower level of promotional balances • Partially offset by higher deposit costs and interest charge-offs
✓	Total Net Charge-off Rate	3.1%	3.2 - 3.4%	3.2%	<ul style="list-style-type: none"> • Strong credit performance across all products reflects discipline in underwriting and line management, and benefits from investments in analytics, collection capabilities and servicing • Increased net charge-offs primarily driven by seasoning of loan growth as well as continued supply-driven normalization in consumer credit

2020 Guidance		Drivers
Total Loan Growth	5 - 7%	<ul style="list-style-type: none"> • Solid growth driven by the strength of the Discover business model and continued investments to support growth
Operating Expense	\$4.7 - \$4.9 Bn	<ul style="list-style-type: none"> • Continued investments in the brand, technology and global acceptance to support business growth
Total Net Charge-off Rate	3.3 - 3.5%	<ul style="list-style-type: none"> • Stable economic environment and benefits of continued investments in fraud prevention, underwriting, servicing and collections capabilities
CET1 Target	10.5%	<ul style="list-style-type: none"> • Continued execution against our capital plan with growth and capital returns

2019 Financial Summary

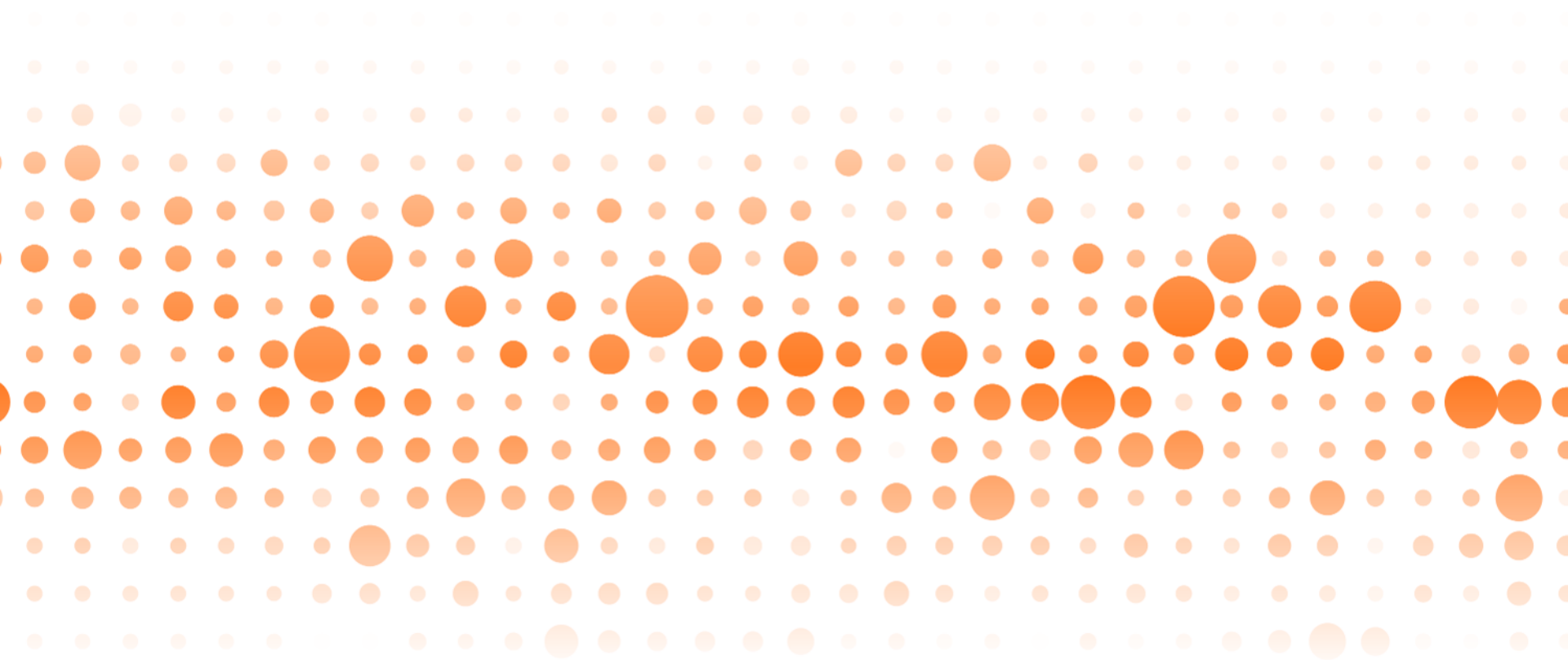
- Net income of \$3Bn and diluted EPS of \$9.08; strong return on equity at 26%
- Total loans grew 6% (\$5.4Bn)
 - Credit card loans grew 6% (\$4.3Bn) as sales volume increased 5%
- Consumer deposits grew 22% (\$9.5Bn), and make up 55% of total funding
- Credit quality remained strong; total NCO rate of 3.17%
- Repurchased 23.1MM shares for \$1.8Bn in the full-year; maintained a payout ratio of 77%

2020 Outlook

- Continued strong returns driven by solid loan growth and credit performance; investing for ongoing value creation

Note

All comparisons stated on a year-over-year basis



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