The following slides are part of a presentation by Discover Financial Services (the "Company") in connection with reporting quarterly financial results and are intended to be viewed as part of that presentation. No representation is made that the information in these slides is complete. For additional financial, statistical, and business related information, as well as information regarding business and segment trends, see the earnings release and financial supplement included as exhibits to the Company’s Current Report on Form 8-K filed today and available on the Company’s website (www.discover.com) and the SEC’s website (www.sec.gov).

The information provided herein includes certain non-GAAP financial measures. The reconciliations of such measures to the comparable GAAP figures are included at the end of this presentation, which is available on the Company’s website and the SEC’s website.

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, 2016, and under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, 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.
Vision, Strategic Objectives and Goal

**Vision**

Be the leading direct bank and payments partner

**Focus areas and strategic objectives**

- **Achieve profitable, disciplined growth**
  - Excel at serving our customers; simple, secure experience with deep relationships
  - Offer differentiated products
  - Leverage payments network

- **Invest for the future**
  - Build awareness and consideration
  - Enhance capabilities and operating model

**Goal**

Create long-term shareholder value

Manage risk prudently
2Q17 Highlights

- Delivered net income of $546MM, diluted EPS of $1.40 and 9% revenue growth YOY

- Achieved 8% total loan growth YOY with good momentum across all primary lending products (credit cards, private student and personal loans)

- Held the line on operating expenses, despite strong loan growth

- Remained disciplined on risk-adjusted returns with 19% return on equity

- Managed rewards rate lower (-1 bp YOY and -5 bps QOQ)

- Increased Payment Services volume rate of growth (up 12% YOY)

- Announced 2017-2018 capital plan, raising quarterly common dividend $0.05 to $0.35 per share and planning to purchase $2.23Bn of common shares over four quarters
# 2Q17 Summary Financial Results

<table>
<thead>
<tr>
<th>($MM, except per share data)</th>
<th>2Q17</th>
<th>2Q16</th>
<th>$Δ</th>
<th>%Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Net of Interest Expense</td>
<td>$2,419</td>
<td>$2,216</td>
<td>$203</td>
<td>9%</td>
</tr>
<tr>
<td>Net Principal Charge-off</td>
<td>520</td>
<td>384</td>
<td>(136)</td>
<td>(35%)</td>
</tr>
<tr>
<td>Reserve Changes build/(release)</td>
<td>120</td>
<td>28</td>
<td>(92)</td>
<td>(329%)</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>640</td>
<td>412</td>
<td>(228)</td>
<td>(55%)</td>
</tr>
<tr>
<td>Operating Expense</td>
<td>912</td>
<td>906</td>
<td>(6)</td>
<td>(1%)</td>
</tr>
<tr>
<td>Direct Banking</td>
<td>831</td>
<td>868</td>
<td>(37)</td>
<td>(4%)</td>
</tr>
<tr>
<td>Payment Services</td>
<td>36</td>
<td>30</td>
<td>6</td>
<td>20%</td>
</tr>
<tr>
<td>Total Pre-Tax Income</td>
<td>867</td>
<td>898</td>
<td>(31)</td>
<td>(3%)</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>321</td>
<td>282</td>
<td>(39)</td>
<td>(14%)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$546</td>
<td>$616</td>
<td>($70)</td>
<td>(11%)</td>
</tr>
<tr>
<td>ROE</td>
<td>19%</td>
<td>22%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$1.40</td>
<td>$1.47</td>
<td>($0.07)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Pre-Tax, Pre-Provision Income</td>
<td>$1,507</td>
<td>$1,310</td>
<td>$197</td>
<td>15%</td>
</tr>
</tbody>
</table>

## Highlights

- **Diluted EPS of $1.40, down 5% YOY (2Q16 included a non-recurring tax benefit of $0.11 per share)**
- **Revenue net of interest expense of $2.4Bn, up 9% YOY, driven by higher net interest income**
- **Provision for loan losses increased $228MM YOY (55%) on higher net charge-offs and a reserve build**
- **Expenses rose just 1%, primarily from higher compensation and benefits**

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**Note(s)**

1. Pre-tax, pre-provision income, which is derived by adding provision for loan losses to pre-tax income, is a non-GAAP financial measure which should be viewed in addition to, and not as a substitute for, the Company’s reported results. Management believes this information helps investors understand the effect of provision for loan losses on reported results and provides an alternate presentation of the Company’s performance; see appendix for a reconciliation.
2Q17 Loan and Volume Growth

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
2Q17 Revenue Detail

### Highlights

- **Net interest income of $1.9Bn, up 11% YOY on higher loan growth and modest NIM expansion**

- **Net discount and interchange revenue increased $13MM (5%) on increased card sales**

- **Rewards rate decreased 1 bp YOY, driven by lower promotional rewards**

### Revenue Detail

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>2Q16</th>
<th>$ Δ</th>
<th>% Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>$2,338</td>
<td>$2,090</td>
<td>$248</td>
<td>12%</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>400</td>
<td>339</td>
<td>(61)</td>
<td>(18%)</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>1,938</td>
<td>1,751</td>
<td>187</td>
<td>11%</td>
</tr>
<tr>
<td>Discount/Interchange Revenue</td>
<td>666</td>
<td>636</td>
<td>30</td>
<td>5%</td>
</tr>
<tr>
<td>Rewards Cost</td>
<td>388</td>
<td>371</td>
<td>(17)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Net Discount/Interchange Revenue</td>
<td>278</td>
<td>265</td>
<td>13</td>
<td>5%</td>
</tr>
<tr>
<td>Protection Products Revenue</td>
<td>56</td>
<td>59</td>
<td>(3)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Loan Fee Income</td>
<td>83</td>
<td>79</td>
<td>4</td>
<td>5%</td>
</tr>
<tr>
<td>Transaction Processing Revenue</td>
<td>42</td>
<td>39</td>
<td>3</td>
<td>8%</td>
</tr>
<tr>
<td>Other Income</td>
<td>22</td>
<td>23</td>
<td>(1)</td>
<td>(4%)</td>
</tr>
<tr>
<td>Total Non-Interest Income</td>
<td>481</td>
<td>465</td>
<td>16</td>
<td>3%</td>
</tr>
<tr>
<td>Revenue Net of Interest Expense</td>
<td>$2,419</td>
<td>$2,216</td>
<td>$203</td>
<td>9%</td>
</tr>
<tr>
<td>Direct Banking</td>
<td>$2,346</td>
<td>$2,147</td>
<td>$199</td>
<td>9%</td>
</tr>
<tr>
<td>Payment Services</td>
<td>73</td>
<td>69</td>
<td>4</td>
<td>6%</td>
</tr>
<tr>
<td>Revenue Net of Interest Expense</td>
<td>$2,419</td>
<td>$2,216</td>
<td>$203</td>
<td>9%</td>
</tr>
</tbody>
</table>

### Change

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>2Q16</th>
<th>QOQ</th>
<th>YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discover Card Sales Volume</td>
<td>$32,172</td>
<td>$30,702</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Rewards Rate (1)</td>
<td>1.20%</td>
<td>1.21%</td>
<td>-5 bps</td>
<td>-1 bp</td>
</tr>
</tbody>
</table>

### Note(s)

1. Rewards cost divided by Discover card sales volume
Highlights

- Net interest margin on receivables increased 17bps YOY on higher card yield and portfolio mix, partially offset by higher charge-offs and funding costs

- Credit card yield increased 24bps YOY as the prime rate increased, partially offset by higher interest charge-offs

- Average consumer deposits grew 11% YOY and composed 47% of total average funding

- Funding costs on interest-bearing liabilities increased 16bps YOY, driven by higher market rates and funding mix
## 2Q17 Operating Expense Detail

<table>
<thead>
<tr>
<th>($MM)</th>
<th>2Q17</th>
<th>2Q16</th>
<th>Δ</th>
<th>%Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Compensation and Benefits</td>
<td>$367</td>
<td>$340</td>
<td>($27)</td>
<td>(8%)</td>
</tr>
<tr>
<td>Marketing and Business Development</td>
<td>192</td>
<td>198</td>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>Information Processing &amp; Communications</td>
<td>77</td>
<td>89</td>
<td>12</td>
<td>13%</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>156</td>
<td>150</td>
<td>(6)</td>
<td>(4%)</td>
</tr>
<tr>
<td>Premises and Equipment</td>
<td>23</td>
<td>23</td>
<td>0</td>
<td>—%</td>
</tr>
<tr>
<td>Other Expense</td>
<td>97</td>
<td>106</td>
<td>9</td>
<td>8%</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>$912</td>
<td>$906</td>
<td>($6)</td>
<td>(1%)</td>
</tr>
<tr>
<td>Direct Banking</td>
<td>876</td>
<td>868</td>
<td>($8)</td>
<td>(1%)</td>
</tr>
<tr>
<td>Payment Services</td>
<td>36</td>
<td>38</td>
<td>2</td>
<td>5%</td>
</tr>
<tr>
<td>Total Operating Expense</td>
<td>$912</td>
<td>$906</td>
<td>($6)</td>
<td>(1%)</td>
</tr>
</tbody>
</table>

**Operating Efficiency**

- 2017: 37.7%
- 2016: 40.9%
- Improvement: 320 bps

**Adjusted Operating Efficiency**

- 2017: 37.7%
- 2016: 40.3%
- Improvement: 260 bps

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### Highlights

- **Employee compensation and benefits** up 8% YOY, primarily on higher staffing levels driven by increased compliance headcount.
- **Information processing** down 13% YOY, primarily from infrastructure efficiencies.
- **Operating efficiency** improved 320 bps on expense discipline and completion of certain AML projects.

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#### Notes:

1. Defined as reported total operating expense divided by revenue net of interest expense.
2. 2016 operating efficiency ratio adjusted for $12 million in look back related anti-money laundering remediation expenses. Management believes adjusted operating efficiency, which is a non-GAAP measure, helps investors understand the effect of activities that are not expected to continue and provides investors with a useful metric to evaluate the company’s ongoing operating performance; see appendix for a reconciliation.
Credit Performance Trends

Total Company Loans

Credit Card Loans

Private Student Loans

Personal Loans

Revised 2017 NCO guidance: 2.7 - 2.8%
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
2Q17 Financial Summary

Profitability
- Net income of $546MM and diluted EPS of $1.40
- Revenue growth of 9% on higher net interest income
- NIM of 10.11%, up 17bps YOY
- Return on equity remains strong at 19%
- Efficiency ratio improved 3pp YOY to 38%

Balance Sheet
- Total loans grew 8% ($6.1Bn) YOY with strong contributions from all primary lending products
- Credit card loans grew 8% ($4.6Bn) YOY as sales volume increased 5%
- Average consumer deposits grew 11% ($3.7Bn) YOY as deposit rates increased slightly

Credit and Capital
- Total NCO rate of 2.71%, up 53 bps YOY
  - Driven by supply-induced credit normalization and loan seasoning
  - Revised 2017 guidance to 2.7 - 2.8%
- Capital plan announced for 3Q17 - 2Q18:
  - Raised quarterly common dividend $0.05 to $0.35/share
  - Planned gross share repurchases of $2.23Bn
# Reconciliation of GAAP to Non-GAAP Data

(unaudited, $MM)

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>2Q16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for loan losses</td>
<td>$640</td>
<td>$412</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>867</td>
<td>898</td>
</tr>
<tr>
<td><strong>Pre-tax, pre-provision income</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td><strong>$1,507</strong></td>
<td><strong>$1,310</strong></td>
</tr>
<tr>
<td>Revenue net of interest expense</td>
<td>$2,419</td>
<td>$2,216</td>
</tr>
<tr>
<td>Total operating expense</td>
<td>912</td>
<td>906</td>
</tr>
<tr>
<td>Excluding anti-money laundering and related compliance program expenses</td>
<td>—</td>
<td>12</td>
</tr>
<tr>
<td><strong>Adjusted operating expense</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td><strong>$912</strong></td>
<td><strong>$894</strong></td>
</tr>
<tr>
<td><strong>Adjusted Operating Efficiency</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>37.7%</td>
<td>40.3%</td>
</tr>
</tbody>
</table>

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**Note(s)**

1. Pre-tax, pre-provision income, which is derived by adding provision for loan losses to pre-tax income, is a non-GAAP financial measure which should be viewed in addition to, and not as a substitute for, the Company's reported results. Management believes this information helps investors understand the effect of provision for loan losses on reported results and provides an alternate presentation of the Company's performance.

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