Notice

The following slides are part of a presentation by Discover Financial Services (the “Company”) and are intended to be viewed as part of that presentation. No representation is made that the information in these slides is complete.

Company financial data presented herein is based on a calendar year. As previously reported, the Company changed its fiscal year end from November 30 to December 31 of each year, effective beginning with the 2013 fiscal year. For historical calendar year financial data, see the Company’s Current Report on Form 8-K dated March 5, 2013 and the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Throughout these materials, direct-to-consumer deposits are referred to as DTC deposits. DTC deposits include deposit products that we offer to customers through direct marketing, internet origination and affinity relationships. DTC deposits include certificates of deposits, money market accounts, online savings and checking accounts, and IRA certificates of deposit.

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 at www.discover.com 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, 2014 and “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, 2015 which is 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.

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2015 Financial Community Briefing

Overview

David Nelms
Chairman & Chief Executive Officer
Agenda

David Nelms  
CHAIRMAN & CHIEF EXECUTIVE OFFICER

Julie Loeger  
CHIEF MARKETING OFFICER

Jim Panzarino  
PRESIDENT – CREDIT & CARD OPERATIONS

Roger Hochschild  
PRESIDENT & CHIEF OPERATING OFFICER

Mark Graf  
CHIEF FINANCIAL OFFICER

Overview

U.S. Cards

Credit

Payments and Other Consumer Lending

Funding, Capital and Financials

Break

Q&A
Executive Summary

Attractive business model with a solid record of success

- Delivering strong card growth through new accounts, wallet share gain, lower attrition and great credit results
- Proprietary network driving value for Card through brand recognition, expanding global acceptance and rewards
- Leveraging a payments partnership strategy to position the business for growth
- Direct Banking growth diversifying assets and funding
- Capital position/generation supporting growth and robust capital deployment
Business model has expanded and diversified

All data in billions, except Acceptance Outlets in millions\(^{(1)}\)

<table>
<thead>
<tr>
<th>Loans</th>
<th>Funding</th>
<th>Acceptance Outlets</th>
<th>Volume</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$53</td>
<td>$54</td>
<td>7</td>
<td>$186</td>
<td>$0.6</td>
</tr>
<tr>
<td>$70</td>
<td>$69</td>
<td>31</td>
<td>$322</td>
<td>$2.3</td>
</tr>
</tbody>
</table>

Note(s)
1. Fiscal year ending November 30, 2007
2. Includes affinity deposits
3. Includes network-to-network acceptance agreements; merchant acceptance based on third-party and internal estimates
4. Includes business-to-business volume
Product diversification has leveraged large, loyal card base

Discover Card
- 1 in 4 U.S. households
- Proprietary network

Cross-sell / Overlap (%)(1)

- Personal Loans: ~65%
- Deposits: ~65%
- Student Loans: ~50%

Note(s)
1. Cross-sell is defined as 12/31/14 percentage of accounts with another DFS relationship; Student Loan cross-sell includes co-signers
Business model has outperformed large banks

<table>
<thead>
<tr>
<th>2009-2014 CAGR</th>
<th>2009-2014 Average Efficiency Ratio(^1)</th>
<th>2009-2014 Average Return on Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loan Growth (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discover</td>
<td>6%</td>
<td>Discover</td>
</tr>
<tr>
<td>Large Banks(^2)</td>
<td>3%</td>
<td>Large Banks(^2)</td>
</tr>
<tr>
<td>Discover(^3)</td>
<td>37%</td>
<td>Discover(^3)</td>
</tr>
<tr>
<td>Large Banks(^2)</td>
<td>63%</td>
<td>Large Banks(^2)</td>
</tr>
<tr>
<td></td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SNL, regulatory reports; Discover

Note(s):
1. Non-interest expense divided by total revenue (net interest income and noninterest income)
2. Bank holding companies participating in the 2015 Comprehensive Capital Analysis and Review (CCAR); excludes Synchrony Financial, Santander Holdings USA, Goldman Sachs, BMO Financial, HSBC USA and Deutsche Bank from some metrics due to limited information; excludes Discover
3. 2009 adjusted to exclude $1.4 billion ($0.9 billion after taxes) Visa and MasterCard settlement
The Discover Way

VISION
To be the leading direct bank and payments partner

MISSION
To help people spend smarter, manage debt better and save more so they can achieve a brighter financial future

KEY PRIORITIES
- Grow Discover card loans while maintaining leading credit performance
- Expand direct consumer banking products
- Grow global network volume and acceptance
- Optimize funding, cost structure and capital position
- Enhance operating model including effective controls, risk management and leadership development

VALUES
- Doing the Right Thing
- Innovation
- Simplicity
- Collaboration
- Openness
- Volunteerism
- Enthusiasm
- Respect
Discover’s Vision:
To be the leading direct bank and payments partner
Discover’s Mission & Values: Aligned with evolving regulatory landscape

• Expanding regulatory oversight with new laws, regulations and statutes
  – Dodd-Frank enhanced prudential standards
  – Creation of Consumer Financial Protection Bureau (CFPB)
  – Capital planning rules (CCAR)

• Well positioned in this environment
  – Business model:
    • Simple, direct model
    • Strong value propositions
    • Leading customer service and operations
  – Company culture:
    • Clear tone at the top
    • Employees who “treat you like you’d treat you”
    • Long-term consistent values, including “do the right thing”
Key Priorities

• Grow card loans while maintaining leading credit performance

• Expand direct consumer banking products

• Grow global network volume and acceptance

• Optimize funding, cost structure and capital position

• Enhance operating model including effective controls, risk management and leadership development
Attractive business model with a solid record of success

- **Delivering strong card growth through new accounts, wallet share gain, lower attrition and great credit results**

  - Proprietary network driving value for Card through brand recognition, expanding global acceptance and rewards
  - Leveraging a payments partnership strategy to position the business for growth
  - Direct Banking growth diversifying assets and funding
  - Capital position/generation supporting growth and robust capital deployment
U.S. Cards

Julie Loeger
Chief Marketing Officer
Outperforming peers in growth and profitability

<table>
<thead>
<tr>
<th>2014 Loan Growth (%Y0Y)</th>
<th>2014 Net Charge-off Rate (%)</th>
<th>2014 Pre-tax Pre-reserve ROA&lt;sup&gt;(3)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discover</td>
<td>5.6%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Peer Group&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>2.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Discover</td>
<td>6.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Peer Group&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Public company data, calendar year

Note(s):
1. JP Morgan (Card Services excluding Commercial Card), Citi (Citi-branded cards N.A.), American Express (U.S. Card), Capital One (U.S. Card), and Bank of America (U.S. Card)
2. JP Morgan (Card Services excluding Commercial Card), Citi (Citi-branded cards N.A.), American Express, (U.S. Card) and Capital One (U.S. Card)
3. Credit card pre-tax pre-reserve ROA is defined as pre-tax credit card income adjusted for loan loss reserve changes. Discover pre-tax income excludes 4Q14 charges related to the elimination of the credit card rewards estimated forfeiture reserve. This is a non-GAAP measure: see appendix for GAAP reconciliation.
Purchase revolving behavior driving profitable loan growth

2013	Purchase Revolvers\(^{(1)}\)	Purchase Transactors	Balance Transfer/Promotional	Cash	2014

$53Bn	

Note(s)
1. Balances of accounts that incurred finance charges in the period.
Strong performance from new and existing customers
Discover it accelerating customer acquisition & performance

- New Accounts: 15%
- Purchase Balance: 22%
- Cost Per Account: -1%
- Average FICO\(^{(1)}\): ~730

Note(s)
1. Average 2014 acquired account FICO, weighted by credit line exposure
Seeding future growth through prudent focus on students

Note(s)
1. Average 2014 acquired student account FICO, weighted by credit line exposure
Deepening relationships with existing customers

2014 (YOY)

Share of Customer Loans\(^{(1)}\)

71 bps

Loan Balance Per Account\(^{(2)}\)

3%

Note(s)
1. Argus Information and Advisory Services, LLC; Discover internal analysis of 3Q14 vs 3Q13; share of loans for mature active accounts
2. Loan balances and the accounts with a balance after attrition and charge-offs
Discover it - Miles to accelerate future growth

### SEE WHERE WE STAND

<table>
<thead>
<tr>
<th>Feature</th>
<th>Discover it® Miles</th>
<th>Chase Sapphire Preferred®</th>
<th>Capital One® VentureOne</th>
<th>Capital One® Venture</th>
<th>American Express Blue Sky</th>
</tr>
</thead>
<tbody>
<tr>
<td>No annual fee</td>
<td>✓</td>
<td>$95</td>
<td>✓</td>
<td>$59</td>
<td>✓</td>
</tr>
<tr>
<td>Freeze your account in seconds with an on/off switch on the mobile app or website to prevent new purchases²</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>1.5x Miles or more on every dollar you spend on purchases</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Exclusive offer: DOUBLE all the Miles you've earned at the end of your first year.¹ No caps. No sign-ups. No purchase limits.</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>No blackout dates. Fly any airline, any time.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
</tr>
<tr>
<td>Redeem your Miles for any amount to credit travel purchases or get the cash at any time²</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Never lose your miles</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Get up to a $30 credit each year for in-flight Wi-Fi purchases¹</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Free overnight shipping for card replacement at home or away to any U.S. street address at your request¹</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>✓</td>
</tr>
<tr>
<td>No late fee on your first late payment &amp; paying late won't raise your APR</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>No foreign transaction fee</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
</tr>
<tr>
<td>Free FICO® Credit Score on monthly statements, mobile app and online³</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>100% U.S.-based customer service available day or night</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

**Note(s)**

1. Comparison conducted by an independent research firm and based on competitor data compiled in April 2015 from company websites, customer service agents, and consumer credit offers.
2. For full miles redemption terms, visit [www.discover.com](http://www.discover.com)
3. For full version of FICO Credit Score Terms, visit [www.discover.com/FICO](http://www.discover.com/FICO)
Innovative features resonating strongly with customers

Free FICO® Score

- Top 5 most visited page\(^{(1)}\)
- 46% of customers actively engaged with the feature\(^{(1)}\)

New! Freeze It™

- Launched April 15\(^{th}\)
- Allows customers to freeze new purchases, if card is misplaced

Note(s)
1. Based on 2014 customer activity on discover.com since Free FICO feature launch
Customers recognize Discover as cashback leader

Cash Rewards Penetration$^{(1)}$

<table>
<thead>
<tr>
<th></th>
<th>DFS</th>
<th>JPM</th>
<th>AXP</th>
<th>BAC</th>
<th>COF</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>43%</td>
<td>25%</td>
<td>21%</td>
<td>17%</td>
<td>15%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Best Cash Rewards$^{(2)}$

<table>
<thead>
<tr>
<th></th>
<th>DFS</th>
<th>JPM</th>
<th>COF</th>
<th>AXP</th>
<th>BAC</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>58%</td>
<td>38%</td>
<td>34%</td>
<td>32%</td>
<td>29%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Note(s)
1. The ratio of ownership of a Discover card to total household ownership of a cashback rewards card based on survey results
2. Results based on unaided survey of each brand’s primary cardmembers

Source
2014 Consumer Payment Strategies Research Program, TNS

Source
2014 annual averages, Brand Tracking Study, Millward Brown
Consumer insights driving innovation in rewards

- Over 5x growth in site visits\(^{(1)}\)
- Over $130MM in value funded by over 150 merchant partners\(^{(2)}\)

Redeem:
- Any amount.
- Any time.
- No expiration.

- ~25MM redemptions\(^{(3)}\)
- 25% increase in total redemptions, 35% increase at Amazon\(^{(4)}\)

Note(s)
1. Defined as growth in Discover Deals site visits since rewards program enhancements implemented in July 2014
2. Includes partner funded incremental value of the reward or discount availed by the cardmember
3. 2014 full calendar year
4. 2014 year-over-year increase in total dollar value of redemptions
Digital driving customer acquisition and early engagement

Note(s)
1. Percentage of 2014 new accounts solicited digitally
2. Percentage of 2014 new accounts that applied digitally (website, mobile)

Marketing Channel\(^{(1)}\)  51%

Accounts Booked\(^{(2)}\)  75%
Digital driving customer experience and efficiencies

Customer Interactions\(^{(1)}\) 85%

Payments\(^{(2)}\) 58%

Mobile Logins\(^{(3)}\) 35%

Note(s)
1. 2014 digital customer interactions (logins) as a percentage of total interactions (logins and calls)
2. Percentage of 2014 payments through digital channel (website, mobile)
3. Percentage of 2014 logins through mobile channel
Recognized as industry leader in digital

Third Party Industry Surveys

J.D. Power: Website Interaction Factor$^{(1)}$

Keynote: Digital Channel Ranking$^{(2)}$

Consumer App Reviews$^{(3)}$

<table>
<thead>
<tr>
<th></th>
<th>iOS</th>
<th>Android</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFS</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>JPM</td>
<td>4.0</td>
<td>4.5</td>
</tr>
<tr>
<td>COF</td>
<td>4.5</td>
<td>4.0</td>
</tr>
<tr>
<td>AXP</td>
<td>3.0</td>
<td>4.5</td>
</tr>
<tr>
<td>BAC</td>
<td>3.5</td>
<td>4.0</td>
</tr>
<tr>
<td>C</td>
<td>3.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Note(s)
1. Ranking represents J.D. Power Website Interaction Factor, which is a subset of J.D. Power 2014 Credit Card Satisfaction Study$^\text{SM}$ based on consumer opinions about the issuer of their primary credit card
2. 2014 Credit Card Scorecard Keynote digital channel ranking among American Express, Bank of America, Barclaycard, Capital One, Chase, Citi, PNC, US Bank, and Wells Fargo
3. Apple iOS and Android weighted average of app store ratings (star count) across phone and tablet devices as end of 1Q 2015
Highest score in overall satisfaction

J.D. Power Evaluation Categories

2014 J.D. Power Overall Satisfaction

<table>
<thead>
<tr>
<th>Bank</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFS</td>
<td>819</td>
</tr>
<tr>
<td>AXP</td>
<td>819</td>
</tr>
<tr>
<td>JPM</td>
<td>789</td>
</tr>
<tr>
<td>BCS</td>
<td>776</td>
</tr>
<tr>
<td>USB</td>
<td>773</td>
</tr>
<tr>
<td>WFC</td>
<td>773</td>
</tr>
<tr>
<td>BAC</td>
<td>766</td>
</tr>
<tr>
<td>COF</td>
<td>765</td>
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<tr>
<td>C</td>
<td>756</td>
</tr>
<tr>
<td>GE</td>
<td>739</td>
</tr>
<tr>
<td>HSBC</td>
<td>709</td>
</tr>
</tbody>
</table>

Note(s)
1. Includes general purpose consumer credit cards only; excludes charge, corporate, private label, small business and debit

[Image of J.D. Power Evaluation Categories and 2014 J.D. Power Overall Satisfaction table]
Brand strength driving growth with customers & prospects

Source
1Q-4Q 2014 Brand Tracking Study, Millward Brown

Note(s)
1. “Recommend to a Friend” is the percentage of survey participants who strongly / somewhat agree with the statement “I would recommend to a friend”; among cardholders who say they use that brand’s card most often to make purchases.
2. “Consideration” is the percentage of survey participants saying either “it would be my first choice” or “I would seriously consider it”; among general population.
Card Summary

• Focus on prime customers who use the card to spend and borrow is driving performance:
  – In 2014, 5.6% loan growth, 2.3% net charge-off, 6.9% pre-tax pre-reserve ROA\(^{(1)}\)
  – Driven by acceleration in new accounts, continued increase in wallet share with existing customers and industry low attrition rate\(^{(2)}\)

• To continue gaining market share and sustain momentum, will maintain focus:
  – Differentiated products, features, and rewards
  – Leading digital capabilities
  – Exceptional customer experience
  – Superior brand equity

• Delivering strong credit performance

Note(s)
1. Credit card pre-tax pre-reserve ROA is defined as pre-tax credit card income adjusted for loan loss reserve changes and credit card rewards program changes that eliminated the forfeiture reserve divided by average credit card receivables. This is a non-GAAP measure: see appendix for GAAP reconciliation
2. Argus Information and Advisory Services, LLC for attrition rate data
Credit

Jim Panzarino
President – Credit & Card Operations
Credit Summary

• Organizational alignment throughout customer lifecycle fosters innovation and enables rapid execution of new processes

• Disciplined underwriting approach to new account growth

• Credit assessment and management of total portfolio leveraging investments in data, analytics and operations

• Credit environment continues to be benign
Organizational alignment enables growth, prudent credit management and customer focus

Customer Service and Credit Management

Credit Operations
- New Accounts
- Collections
- Recovery

Credit Risk Management
- Card Risk Management
- Fraud
- Consumer Lending
- Decision Management

Customer Service & Operations
- Processing Services
- Workforce Management

Cross functional alignment & accelerated implementation

- Prudent profitable growth
- Industry leading credit management
- Exceptional customer experience
Superior credit performance

Card Net Charge-off Rates

- Disciplined new bookings
- Profitability based line assignments
- Proactive and targeted portfolio management
- Innovative use of credit and data in decision making
- Stronger payment preference through in-house collection activities

Source: Public company data

Note(s):
1. Weighted average rate; includes U.S. card net charge-off rates for American Express (U.S. Card), Bank of America (U.S. Card), Capital One (U.S. Card), Citi (Citi-branded Cards N.A.), JPMorgan Chase (Card Services) and Wells Fargo (1Q11-1Q15)
Customer Account Resolution Experts (CARE)

Collections Approach

- Dedicated account manager
- Specialized training
- Contact by appointment
- Custom tailored payment solutions
- Increased customer engagement

“I like the fact that it’s more personal and I don’t have to repeat my situation each time I speak to Discover Card.”

-CARE Customer

Example: Customers with high risk attributes entering collections for the first time

Decline in delinquency during second cycle

5.1%
Growing new accounts while managing credit risk

New Account Bookings (MM)

Card Vintage Gross Loss Rate(1)

Note(s)
1. Blended vintage 6-month moving average gross principal charge-off rate (excludes recoveries)
Growing card receivables while managing credit risk

Receivables ($Bn)

<table>
<thead>
<tr>
<th></th>
<th>2012 (1)</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables ($Bn)</td>
<td>$51</td>
<td>$56</td>
</tr>
<tr>
<td>10%</td>
<td>$51</td>
<td></td>
</tr>
</tbody>
</table>

30+ Delinquencies (%)

<table>
<thead>
<tr>
<th></th>
<th>2012 (1)</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delinquencies (%)</td>
<td>1.79%</td>
<td>1.73%</td>
</tr>
<tr>
<td>6 bps</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note(s)
1. Calendar year end figures
Where is credit headed?

- Credit performance across all products remains benign

- Quarterly card net charge-off rates are expected to remain below 3% through at least the end of 2016 absent any external shock

Note(s)
1. Monthly figures through March 2015
Attractive business model with a solid record of success

✓ Delivering strong card growth through new accounts, wallet share gain, lower attrition and great credit results

- **Proprietary network driving value for Card through brand recognition, expanding global acceptance and rewards**
  - Leveraging a payments partnership strategy to position the business for growth
  - Direct Banking growth diversifying assets and funding
  - Capital position/generation supporting growth and robust capital deployment
2015 Financial Community Briefing

Payments and Other Consumer Lending

Roger Hochschild
President & Chief Operating Officer
Payments sources of value

Payments Assets

- Discover Network
- Diners / Global Partnerships
- Debit / PULSE

Significant Value to Card
- Brand recognition
- Merchant funded rewards
- Emerging technologies
- Flexibility and control

Independent Value Creation
- Traditional third-party transaction processing
- Nontraditional partnerships
- Business-to-business
Proprietary network drives brand recognition and increasing acceptance

Average Unaided Card Brand Awareness

<table>
<thead>
<tr>
<th></th>
<th>DFS</th>
<th>AXP</th>
<th>COF</th>
<th>JPM</th>
<th>C</th>
<th>BAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>59</td>
<td>56</td>
<td>28</td>
<td>28</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>2014</td>
<td>56</td>
<td>59</td>
<td>28</td>
<td>28</td>
<td>13</td>
<td>18</td>
</tr>
</tbody>
</table>

Domestic Acceptance Growth

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discover</td>
<td>4.4</td>
<td>9.3</td>
</tr>
<tr>
<td>American Express</td>
<td>3.7</td>
<td>6.9</td>
</tr>
<tr>
<td>Visa / MasterCard</td>
<td>5.7</td>
<td>9.5</td>
</tr>
</tbody>
</table>

Source: 2014 Millward Brown Brand Tracking Study

Cash rewards program – leveraging merchant relationships

- Deals platform provides actionable insight and rapid campaign turnaround
- Secured merchant campaigns up significantly year-to-date due to strong test campaign performance

Indexed Merchant-Funded Rewards\(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>Discover Funded</th>
<th>Partner Funded</th>
<th>Customer Cash Reward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indexed</td>
<td>100</td>
<td>12</td>
<td>112</td>
</tr>
</tbody>
</table>

Note(s)
1. Indexed to 100; includes Discover Deals, estimated point-of-sale coupons, CBB offers, statement credits and gift card redemptions
Continued focus on payments security

• Discover owns one of four EMV specifications in the U.S. that are being loaded on merchant terminals

• Expecting to issue EMV cards to majority of active accounts in 2015 and be ready for October 2015 liability shift

• Increased costs in 2015 due to issuance of chip cards, expect fraud savings to ramp up in 2016

• Tokenization for mobile and card not present transactions
  – Currently in testing phase
  – Launching Apple Pay in fall of 2015

• Opportunities to offer additional digital services
Positioning Payments business for the future

Industry Trends

- Consumer shift to electronic payments
- Continued intense competition in debit
- International growth
- B2B payments electronification
- Commerce and payments convergence
Defend PULSE PIN position and increase signature debit

**PIN**

Enable PIN, PINless and signature transactions at the point of sale and online

**Debit**

- Building pipeline
- Long sales cycle

**Signature**
Grow international partnerships in target markets

**Diners Club**
- Stabilize and transition
  - (Japan)
  - (Italy)

**Alliance Partners**
- Maximize growth
  - (China)
  - (Japan)
  - (S. Korea)

**Grow and expand**
- (China)
- (Turkey)
- (Mexico)

**Expand in target markets**
- (India)
- (Middle East)
- (Canada)
Capitalize on evolving payment technology

- Flexible partner in rapidly changing payments landscape
  - Alternative to Visa/MasterCard
  - White label opportunities (e.g., PayPal)
  - Full product suite (credit, debit, prepaid)

- Proprietary network enables partnership in all areas of mobile commerce
  - Mobile Points of Sale (Merchant capabilities)
  - Mobile Payments (Customer capabilities – mobile wallets, merchant wallets, NFC, QR codes, bar codes)
  - Mobile Marketing (e-coupons)

1. 5 buyer agreements in place
2. 2,200+ suppliers boarded
3. Award winning innovation(1)

Note(s)
1. 2015 PYMNTS Innovator Awards for Most Disruptive Company and Best B2B Innovation
Attractive business model with a solid record of success

✓ Delivering strong card growth through new accounts, wallet share gain, lower attrition and great credit results
✓ Proprietary network driving value for Card through brand recognition, expanding global acceptance and rewards
✓ Leveraging a payments partnership strategy to position the business for growth

• **Direct Banking growth diversifying assets and funding**
• Capital position/generation supporting growth and robust capital deployment
Consumer lending product offerings aligned to Discover business model

Business model matched to market characteristics

Other considerations
- Market size
- Competitive set
- Brand fit
- Cross-sell potential

Direct Model
Prime Credit Risk
Profit Potential

Consumer Lending Products
Credit Card ✔️
Personal Loans ✔️
Student Loans ✔️
Home Loans ✔️
Auto Loans ✗
Driving profitable growth in personal loans

Overview

- Good alternative for consolidating debt
- Typical installment loan characteristics:
  - 3-5 year term
  - 300-400bps rate reduction
- Average FICO of ~750
- ~65% of portfolio has another Discover relationship
- Portfolio to date built almost entirely “by invitation only”

Personal Loans ($Bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Loans Outstanding</th>
<th>6 Month Lagged Charge-off Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1</td>
<td>0%</td>
</tr>
<tr>
<td>2010</td>
<td>$3</td>
<td>2%</td>
</tr>
<tr>
<td>2011</td>
<td>$4</td>
<td>4%</td>
</tr>
<tr>
<td>2012</td>
<td>$5</td>
<td>6%</td>
</tr>
<tr>
<td>2013</td>
<td>$5</td>
<td>8%</td>
</tr>
<tr>
<td>2014</td>
<td>$5</td>
<td>10%</td>
</tr>
</tbody>
</table>
Discover’s personal lending product is well positioned in competitive environment

<table>
<thead>
<tr>
<th>New Entrants</th>
<th>Discover’s Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New marketplace competition</td>
<td>• Leveraging brand and customer experience</td>
</tr>
<tr>
<td>– Mail volumes have increased</td>
<td>• Prime segment focus with credit and collections expertise developed</td>
</tr>
<tr>
<td>– Raising awareness of product</td>
<td>through cycles</td>
</tr>
<tr>
<td>– Focused on broader credit segment</td>
<td>• Retaining loans on the balance sheet with diversified funding</td>
</tr>
<tr>
<td>• Business models often based on originate and sell with little to no risk</td>
<td></td>
</tr>
<tr>
<td>retention</td>
<td></td>
</tr>
<tr>
<td>• Rapid growth in low interest rate, benign credit environment, unproven</td>
<td></td>
</tr>
<tr>
<td>through cycle</td>
<td></td>
</tr>
</tbody>
</table>

Discover Personal Loans can help you take control & reach your goals

- Fixed rate. Flexible payment timeline.
- Funding the next business day.
- No closing fee. No prepayment penalty.
Not all personal loans deliver the same advantages

<table>
<thead>
<tr>
<th>Compare and See</th>
<th>Discover Personal Loan</th>
<th>Citi Personal Loan</th>
<th>Wells Fargo Personal Loan</th>
<th>Lending Club</th>
<th>Prosper Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>APR range</td>
<td>6.99% up to 18.99%</td>
<td>10.74% up to 22.24%</td>
<td>9.261% up to 18.504%²</td>
<td>6.48% up to 29.99%</td>
<td>6.73% up to 35.31%</td>
</tr>
<tr>
<td>Origination Fees or closing costs</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$618³</td>
<td>$594³</td>
</tr>
<tr>
<td>Flexible payment plans</td>
<td>36, 48, 60, 72, or 84 months</td>
<td>24, 36, 48, or 60 months</td>
<td>Up to 60 months; varies by loan amount.</td>
<td>24, 36, or 60 months</td>
<td>36 or 60 months</td>
</tr>
<tr>
<td>Option to pay off creditors directly</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Directly deposit funds can go to any bank account you choose</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>You can apply online or by phone even if you are not a current customer</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Return the loan funds within 30 days and pay no interest</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Note(s)
1. Comparison conducted by an independent research firm and based on data compiled in March 2015 from company websites, customer service agents, and consumer credit offers.
2. Wells Fargo APR range is based on a $5,000 loan with a 36-month term.
3. Origination fee estimates are based on average loan amount and average origination fee % listed in company filings (10-Q).
Home lending update

Mortgage Originations ($Bn)

Note(s)
1. Freddie Mac conforming mortgage rates, quarterly averages
Home equity market is another opportunity for growth

Home Equity Industry Originations ($Bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>HE Line of Credit</th>
<th>HE Installment Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$26</td>
<td>$79</td>
</tr>
<tr>
<td>2014</td>
<td>$24</td>
<td>$120</td>
</tr>
</tbody>
</table>

Discover’s Position

- Complements personal loans
- Leveraging brand and customer experience
- Credit expertise
- ~80% of Discover cardmembers own their own home

Source: Moody’s Economics database
Generating organic growth in private student loans

Overview

- Target not-for-profit schools with 4-year undergraduate or graduate degree programs, bar and residency loans
  - 99 of top 100 national universities\(^{(1)}\)
  - All top 50 graduate business, medical and law schools\(^{(1)}\)
- Fixed and variable interest rates, no origination fees

<table>
<thead>
<tr>
<th>Year</th>
<th>Organic (^{(2)})</th>
<th>Purchased</th>
<th>YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>2.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>3.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>4.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note(s)
1. Placement of Discover brand at schools that use a lender list; based on 2015 U.S. News and World Report online rankings
2. Includes CitiAssist branded originated loans for 2011 and 2012
Disciplined underwriting approach drives better student loan credit performance

<table>
<thead>
<tr>
<th>Underwriting Approach</th>
<th>2014 Net Charge-off Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong credit characteristics&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>1.9%</td>
</tr>
<tr>
<td>– Cosigner rate approximately 90%</td>
<td></td>
</tr>
<tr>
<td>– Average FICO greater than 750 at acquisition</td>
<td></td>
</tr>
<tr>
<td>• School certification for all borrowers and direct disbursement of funds to school</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

**Note(s):**
1. Reflects organic originations; FICO is the higher of either the borrower or cosigner, weighted by loan balance
2. Defined as 3Q14 annualized net losses to 3Q14 average managed contractual receivables, which is a non-GAAP measure; see appendix for a reconciliation
3. Based on MeasureOne industry net charge-off rates for 3Q14 annualized; Industry data includes: The First Marblehead Corporation, PNC Bank, RBS Citizens, Sallie Mae, Sun Trust Banks, Navient, and Wells Fargo Bank

![Bar chart showing Discover and Other Private Lenders net charge-off rates]
Discover product awareness expected to drive growth

2014 Private Student Loan Industry Originations$^{(1)}$

Priorities for 2015 and Beyond

- Grow brand awareness
- Expand integrated marketing campaigns
- Enhance customer experience
- Increase borrower assistance options

Total Size: $7.1Bn
2010 – 2014 CAGR: 7%

Note(s)
1. December 2014 Measure One report: industry-wide private student loan disbursements; Sallie Mae company reports
Not all student loans are created equal

<table>
<thead>
<tr>
<th>Compare and See</th>
<th>DISCOVER</th>
<th>Sallie Mae®</th>
<th>Wells Fargo®</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cover up to 100% of school-certified college and graduate school costs</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Zero Fees</td>
<td>✔️</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Competitive Rates</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Choose in-school or deferred repayment option</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Rewards for good grades</td>
<td>✔️</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Free customized scholarship search tool</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>100% US-based Student Loan Specialists, available anytime</td>
<td>✔️</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

**Note(s)**
Comparisons based on information obtained on lenders’ websites or from customer service representatives as of March 2015. At least a 3.0 GPA (or equivalent) qualifies for a one-time cash reward of 1% of the loan amount of each new Discover student loan. Reward redemption period is limited.
Consumer Lending Summary

- Well positioned for profitable growth in personal loans despite competitive environment
- Home lending business continues to face challenges in growing purchase market originations
- Continuing to pursue growth opportunity in home equity market
- Student loan business expected to grow as tuition, enrollment and Discover product awareness increases
- Targeting 5-10% long-term receivables growth in other consumer lending
Attractive business model with a solid record of success

- Delivering strong card growth through new accounts, wallet share gain, lower attrition and great credit results
- Proprietary network driving value for Card through brand recognition, expanding global acceptance and rewards
- Leveraging a payments partnership strategy to position the business for growth

- **Direct Banking growth diversifying assets and funding**
- **Capital position/generation supporting growth and robust capital deployment**
Funding, Capital and Financials

Mark Graf
Chief Financial Officer
Financial considerations for 2015 and beyond

• Positioning liabilities for rising rates, tailwind from lower funding costs completed

• Provisioning largely driven by loan growth, credit quality remains relatively stable

• Core expense growth is well disciplined, in 2015 expense growth expected to be driven by some non-recurring items

• Robust capital position supporting growth, share repurchases and dividend actions
Continuing to strengthen and diversify funding sources

Funding Mix ($Bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct-to-Consumer Deposits ($Bn)</th>
<th>Spin (6/30/07)</th>
<th>4Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$3</td>
<td>$54%</td>
<td>6%</td>
</tr>
<tr>
<td>2008</td>
<td>$7</td>
<td>35%</td>
<td>5%</td>
</tr>
<tr>
<td>2009</td>
<td>$13</td>
<td>42%</td>
<td>54%</td>
</tr>
<tr>
<td>2010</td>
<td>$21</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>2011</td>
<td>$27</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>2012</td>
<td>$28</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>2013</td>
<td>$28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$29</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note(s)
1. Includes unsecured debt and other funding
2. Includes affinity deposits
Optimizing deposit product mix to manage rate sensitivity

Indeterminate Balance Acquired at 10%+ Above Competitor Rates\(^{(1,2)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>39%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Indeterminate Balances as a % of Deposits Portfolio\(^{(1)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>48%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Note(s)
1. Indeterminate Balances defined as savings and money market balances
2. Competitor Rates reflects monthly average of rates posted online by peer banks, which include banks without a traditional branch network
Establish core banking presence and lower long term cost of funds with checking product

Strategic Rationale

• Achieves cost of funds benefit in a rising rate environment

• Deepens customer relationships given transactional nature of product

• Delivers richer product features and better value given lower direct banking cost structure

• Leverages Discover and PULSE networks

Note(s)
Checking product currently limited to existing deposit and card customers
Discover direct deposit betas will be less than “1”

DFS vs. Traditional Bank

• Similar to “traditional” bank, strong synergy between right and left hand side of balance sheet
  – ~65% of depositors have a loan product relationship with DFS
  – ~80% of new deposit accounts have a loan product relationship with DFS

• Different from “traditional” bank…
  – Checking deposits are still relatively small (<1% of DFS funding)
  – Funding stack relies on ABS, direct deposits and brokered deposits

Illustrative Betas\(^{(1)}\)

Note(s)
1. Defined as the ratio of expected change in deposit pricing relative to Federal Reserve increases in short term interest rates
Funding costs will increase as we continue to position the balance sheet for rising rates

Cost of Funds\(^{(1)}\)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Cost of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q12</td>
<td>2.6%</td>
</tr>
<tr>
<td>3Q12</td>
<td>2.4%</td>
</tr>
<tr>
<td>1Q13</td>
<td>2.2%</td>
</tr>
<tr>
<td>3Q13</td>
<td>2.0%</td>
</tr>
<tr>
<td>1Q14</td>
<td>1.8%</td>
</tr>
<tr>
<td>3Q14</td>
<td>1.6%</td>
</tr>
<tr>
<td>1Q15</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Avg Months to Liability Repricing\(^{(2)}\)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Avg Months to Repricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q12</td>
<td>16</td>
</tr>
<tr>
<td>1Q15</td>
<td>26</td>
</tr>
</tbody>
</table>

Note(s)

1. Rate on total interest-bearing liabilities
2. Excludes all indeterminate maturity deposits (savings and money market) and preferred stock; includes derivatives and hedging activities
Lower funding costs drove NIM expansion in recent past

### 2012-2014 Net Interest Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Yield</th>
<th>Interest Charge-off</th>
<th>Interest Expense</th>
<th>2014 NIM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>9.29%</td>
<td>(0.16%)</td>
<td>0.15%</td>
<td>9.81%</td>
</tr>
</tbody>
</table>
|      | (1) Includes interest income on all interest earning assets

• Expect modest 2015 NIM compression driven by funding costs and card yield

• Expect to be at or above 9.5%, on an annual basis, at least through 2016

**Note(s)**

1. Includes interest income on all interest earnings assets
Discover is slightly asset sensitive

1-Year Net Interest Income Impact from 100bps Parallel Shift\(^{(1)}\)

- **BAC**: 12%
- **JPM**: 10%
- **C**: 8%
- **COF**: 6%
- **DFS**: 4%
- **AXP**: 2%

Source: 4Q14 Company disclosures

Note(s):
1. Calculated based on reported net interest income impact divided by period ending net interest income. Capital One (COF) estimated using 200 basis point parallel shift divided by 2 to approximate 100 basis point parallel shift.
Revenue growth has outperformed peers but certain fee revenue categories face headwinds

### 2014 Revenue Growth (Y.O.Y.)\(^{(1)}\)

<table>
<thead>
<tr>
<th>Category</th>
<th>DFS</th>
<th>AXP</th>
<th>C</th>
<th>JPM</th>
<th>COF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protection Products</td>
<td>5.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>4.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment Services</td>
<td>1.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td>-2.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment Services</td>
<td>-4.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Fee Revenue Categories

- Protection Products Revenue – expect continued decline
- Other Income – Mortgage gain on sale volatility driven in part by refi market
- Payment Services Revenue – continued negative competitive impact, B2B volume growth strong but lower margin

---

**Note(s)**

1. Revenues net of interest expense; American Express (U.S. Card), Capital One (U.S. Card), Citi (Citi-branded Cards N.A.), JPMorgan Chase (Card Services) and Discover (Direct Banking segment) excludes elimination of rewards forfeiture reserve of $178 million from 2014
Total charge-off rate remains low and 2014 profits not driven by reserve releases

Card Credit Trends

2014 Reserve Release/Build Contribution to Pre-tax Profit(1)

Mar-11 Sep-11 Mar-12 Sep-12 Mar-13 Sep-13 Mar-14 Sep-14 Mar-15
-4% -3% -1% 6% 22%
AXP DFS COF JPM C

Note(s)
1. Reserve release/build divided by pre-tax profit; American Express (U.S. Card), Capital One (U.S. Card), Citi (Citi-branded Cards N.A.), Discover (Direct Banking segment) and JPMorgan Chase (Card Services)
Recent vintage performance is better than historical but seasoning of growth will drive provisioning

<table>
<thead>
<tr>
<th>2010-2013 Card Vintage Gross Loss Rate(^{(1)})</th>
<th>% of Card Portfolio on Book for &lt;3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Graph showing vintage gross loss rates" /></td>
<td><img src="image" alt="Graph showing % of portfolio on book" /></td>
</tr>
</tbody>
</table>

Note(s)
1. Blended vintage 6-month moving average gross principal charge-off rate (excludes recoveries)
Higher costs in 2015 driven by some non-recurring items

- 2015 will be impacted by
  - AML/BSA program remediation
  - EMV roll out
  - 1Q15 legal reserve
  - Debit litigation

- Continue to target long-term efficiency ratio of 38%+- for the total company

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expense ($Bn)</td>
<td>$3.2</td>
<td>$3.3</td>
<td>$3.5</td>
</tr>
<tr>
<td>Efficiency Ratio&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>38.8%</td>
<td>39.4%</td>
<td>--</td>
</tr>
<tr>
<td>Adj. Efficiency Ratio&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>38.4%</td>
<td>38.0%</td>
<td></td>
</tr>
</tbody>
</table>

Note(s)
1. Defined as reported noninterest expense divided by total revenue (net interest income and noninterest income)
2. Adjusted efficiency ratio excludes charges associated with Diners Club from 2013 results and one-time charges associated with the rewards forfeiture change, Diners Club and Discover Home Loans from 2014 results. See appendix for reconciliation
Strongest capital ratio in stress scenario

DFAST Severely Adverse Results
Min. Common Equity Tier 1 Capital Ratio

<table>
<thead>
<tr>
<th>Bank</th>
<th>Min. Common Equity Tier 1 Capital Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFS</td>
<td>13.3%</td>
</tr>
<tr>
<td>AXP</td>
<td>13.0%</td>
</tr>
<tr>
<td>COF</td>
<td>9.4%</td>
</tr>
<tr>
<td>BAC</td>
<td>7.1%</td>
</tr>
<tr>
<td>C</td>
<td>6.8%</td>
</tr>
<tr>
<td>JPM</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

Source
Federal Reserve Dodd-Frank Act Stress Test 2015: Supervisory Stress Test Methodology and Results, Table 3. Projected stressed capital ratios under the severely adverse scenario, 2014:Q4-2016:Q4; 31 participating bank holding companies
Planned capital actions generate highest yield

Estimated Dividend and Buyback Yield\(^{(1)}\)

<table>
<thead>
<tr>
<th>Company</th>
<th>Dividend (%)</th>
<th>Buyback (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFS</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>AXP</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>COF</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>JPM</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>BAC</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) CCAR announced capital actions (buybacks and dividends) pro-rated for four quarters ending 1Q16 divided by market capitalization as of 4/30/15

Source: Public company disclosures

Note(s)
1. CCAR announced capital actions (buybacks and dividends) pro-rated for four quarters ending 1Q16 divided by market capitalization as of 4/30/15
Excess capital can help drive shareholder returns

Common Equity Tier 1 Capital Ratio\(^{(1)}\)

| 14.7% | $2.5Bn+/- |
| 11% Target | 1Q15 |

- Long-term capital priorities:
  - Organic growth
  - Share repurchases and dividend actions
  - Portfolio purchases
  - Disciplined acquisitions

Note(s)
1. 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 appendix.
Key long-term targets remain largely the same

<table>
<thead>
<tr>
<th></th>
<th>Long-term</th>
<th>Near-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card Loan Growth</td>
<td>3-5%</td>
<td></td>
</tr>
<tr>
<td>Non-Card Lending Growth</td>
<td>5-10%</td>
<td></td>
</tr>
<tr>
<td>Payments Volume Growth</td>
<td>10%+</td>
<td></td>
</tr>
<tr>
<td>Total Company NIM</td>
<td>9%+/-</td>
<td></td>
</tr>
<tr>
<td>Card Net Charge-Offs</td>
<td>3.5-4.5%</td>
<td></td>
</tr>
<tr>
<td>Efficiency Ratio</td>
<td>38%+/-</td>
<td></td>
</tr>
<tr>
<td>Common Equity Tier I Ratio</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>15%+</td>
<td></td>
</tr>
</tbody>
</table>
# 2015 Guidance

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Margin(^{(1)})</td>
<td>Modest Decline</td>
<td>• Modest net interest margin compression</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lower protection products revenue</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Higher rewards rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Payments volume</td>
</tr>
<tr>
<td>Provision for Loan Losses Rate(^{(1)})</td>
<td>2.5% +/-</td>
<td>• Seasoning of new vintages and modestly lower recoveries on aged charge-offs</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$3.5Bn +/-</td>
<td>• Higher marketing, regulatory/compliance and technology costs</td>
</tr>
</tbody>
</table>

**Note(s)**
1. As a percentage of average receivables
Conclusion

• Loan growth at high end of range

• Net interest margin expected to remain above long-term target

• Only modest increase in “core” operating expenses near-term

• Card delinquency trends do not indicate a change in credit environment

• Capital position/generation supports growth, share repurchases and dividend actions
# Reconciliation of GAAP to Non-GAAP Data

<table>
<thead>
<tr>
<th>(unaudited, $ in millions)</th>
<th>Twelve Months Ended 12/31/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP Direct Banking pre-tax income</td>
<td>$3,605</td>
</tr>
<tr>
<td>Excluding non-credit card pre-tax income</td>
<td>228</td>
</tr>
<tr>
<td>Credit card pre-tax income</td>
<td>$3,377</td>
</tr>
<tr>
<td>Excluding elimination of credit card rewards program forfeiture reserve</td>
<td>178</td>
</tr>
<tr>
<td>Excluding credit card reserve changes</td>
<td>68</td>
</tr>
<tr>
<td>Credit card pre-tax income excluding forfeiture reserve and reserve changes</td>
<td>$3,623</td>
</tr>
<tr>
<td>GAAP average credit card receivables</td>
<td>$52,600</td>
</tr>
<tr>
<td>Credit card pre-tax return on assets (excluding forfeiture reserve and reserve changes)&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

---

**Note(s)**

1. Credit card pre-tax return on assets excluding the forfeiture reserve elimination and loss reserve changes is a non-GAAP measure and represents pre-tax earnings of Discover's U.S. credit card business excluding the impact of the elimination of the credit card rewards program forfeiture reserve and changes to the allowance for loan loss reserve. Credit card pre-tax return on assets excluding the forfeiture reserve elimination and loss reserve changes is a meaningful measure to investors because it provides a competitive performance benchmark.
Reconciliation of GAAP to Non-GAAP Data (cont’d)

<table>
<thead>
<tr>
<th>(unaudited, $ in billions)</th>
<th>Three Months Ended 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP Recorded Balance Purchased (Private) Credit Impaired Student Loans (average loans)</td>
<td>$3.9</td>
</tr>
<tr>
<td>Adjustment for Purchase Accounting</td>
<td>0.2</td>
</tr>
<tr>
<td>Contractual Value Purchased (Private) Credit Impaired Student Loans (average loans)(1)</td>
<td>$4.1</td>
</tr>
<tr>
<td>GAAP Private Student Loans (average loans)</td>
<td>4.5</td>
</tr>
<tr>
<td>Contractual Value Private Student Loans (average loans)(1)</td>
<td>$8.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(unaudited, $ in millions)</th>
<th>Three Months Ended 9/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP Private Student Loan Net Principal Charge-offs</td>
<td>$12.8</td>
</tr>
<tr>
<td>Adjustment for Purchased (Private) Credit Impaired Student Loans Net Principal Charge-offs</td>
<td>6.1</td>
</tr>
<tr>
<td>Contractual Private Student Loan Net Principal Charge-offs(2)</td>
<td>$18.9</td>
</tr>
</tbody>
</table>

Contractual Net Charge-off Rate

0.9%

Note(s)
1. The contractual value of the purchased private student loan portfolio is a non-GAAP measure and represents purchased private student loans excluding the purchase accounting discount. The contractual value of the private student loan portfolio is meaningful to investors to understand total outstanding loan balances without the purchase accounting discount.

2. Contractual private student loan net principal charge-offs is a non-GAAP measure and include net charge-offs on purchase credit impaired loans. Under GAAP any losses on such loans are charged against the nonaccretable difference established in purchased credit impaired accounting and are not reported as charge-offs. Contractual net principal charge-offs is meaningful to investors to see total portfolio losses.
Reconciliation of GAAP to Non-GAAP Data (cont’d)

<table>
<thead>
<tr>
<th>(unaudited, $ in millions)</th>
<th>Twelve Months Ended 12/31/14</th>
<th>Twelve Months Ended 12/31/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue net of interest expense</td>
<td>$8,477</td>
<td>$8,224</td>
</tr>
<tr>
<td>Excluding Elimination of credit card rewards program forfeiture reserve</td>
<td>178</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted revenue net of interest expense (excluding one-time charge)</td>
<td><strong>$8,655</strong></td>
<td><strong>$8,224</strong></td>
</tr>
<tr>
<td>Total operating expense</td>
<td>$3,340</td>
<td>$3,194</td>
</tr>
<tr>
<td>Excluding Discover Home Loans goodwill impairment</td>
<td>(27)</td>
<td>-</td>
</tr>
<tr>
<td>Excluding Diners Club Italy held-for-sale fair value adjustment</td>
<td>(21)</td>
<td>-</td>
</tr>
<tr>
<td>Excluding Diners Club international franchise support</td>
<td>-</td>
<td>(40)</td>
</tr>
<tr>
<td>Adjusted operating expense (excluding one-time charges)</td>
<td><strong>$3,292</strong></td>
<td><strong>$3,154</strong></td>
</tr>
<tr>
<td>Adjusted operating efficiency (excluding one-time charges)⁽¹⁾</td>
<td>38.0%</td>
<td>38.4%</td>
</tr>
</tbody>
</table>

Note(s)
1. Adjusted operating efficiency is calculated using adjusted operating expense divided by adjusted revenue net of interest expense, 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 provides investors with a useful metric to evaluate the ongoing operating performance of the company.
Reconciliation of GAAP to Non-GAAP Data (cont’d)

<table>
<thead>
<tr>
<th>(unaudited, $ in millions)</th>
<th>Quarter Ended 3/31/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common equity Tier 1 capital (Basel III transition)</td>
<td>$10,497</td>
</tr>
<tr>
<td>Adjustments related to capital components during transition (1)</td>
<td>(87)</td>
</tr>
<tr>
<td>Common equity Tier 1 capital (Basel III fully phased-in)</td>
<td>$10,410</td>
</tr>
<tr>
<td>Risk weighted assets (Basel III transition)</td>
<td>$70,864</td>
</tr>
<tr>
<td>Risk weighted assets (Basel III fully phased-in) (2)</td>
<td>$70,757</td>
</tr>
<tr>
<td>Common equity Tier 1 capital (Basel III transition) (3)</td>
<td>14.8%</td>
</tr>
<tr>
<td>Common equity Tier 1 capital (Basel III fully phased-in) (3,4)</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

**Note(s)**
1. Adjustments related to capital components for fully phased-in Basel III include the phase-in of the intangible asset exclusion.
2. 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.
4. 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).