



William Blair 37th Annual Growth Stock Conference

David Nelms
Chairman & Chief Executive Officer
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Notice

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

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. The Company does not undertake to update or revise forward-looking statements as more information becomes available.

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Franchise Overview –

Positioned as the leading U.S. direct bank & payments partner

Direct Banking (97% of DFS Pre-Tax Profit)



U.S. Card Issuing

- \$60Bn card receivables
- \$123Bn card sales volume
- Leading cash rewards program
- 1 in 4 U.S. households⁽¹⁾



Deposits and Lending

- \$37Bn direct-to-consumer deposits
- Cashback checking
- \$9Bn private student loans
- \$7Bn personal loans
- Home equity installment loans

Payment Services (3% of DFS Pre-Tax Profit)



- \$139Bn volume
- 4,600+ issuers



- \$29Bn volume⁽²⁾
- 90+ licensees
- 185+ countries / territories



Network Partners

- \$14Bn volume
- 10+ network alliances

Note(s)

Balances as of March 31, 2017; pre-tax profit and volume based on the trailing four quarters ending 1Q17 (unless noted)

1. 2016 TNS' Consumer Payment Strategies Study

2. Diners 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

Franchise Overview –

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

Manage risk prudently

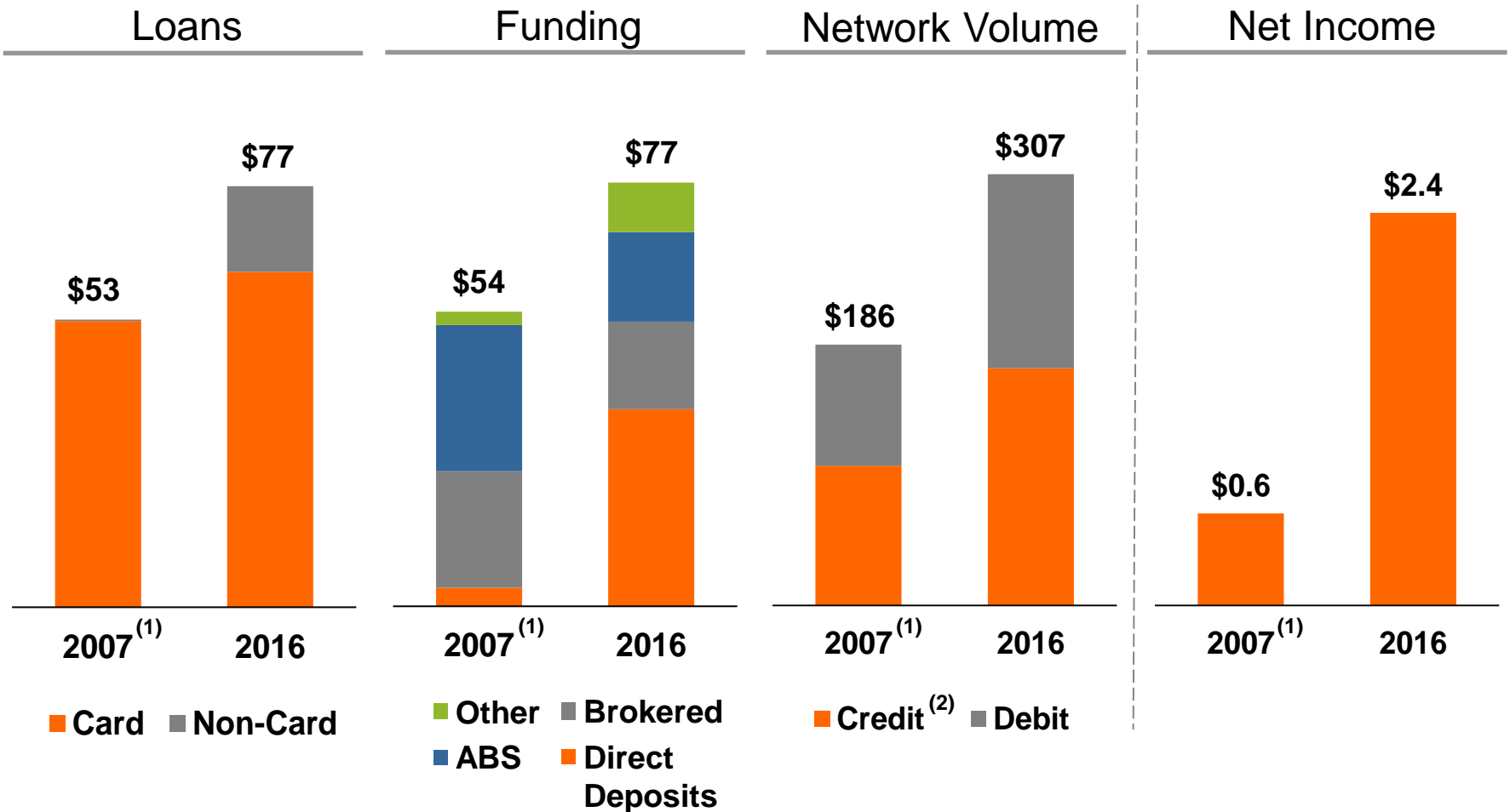
Goal

Create long-term shareholder value

Franchise Overview –

Business model has expanded and diversified

(All data in billions)



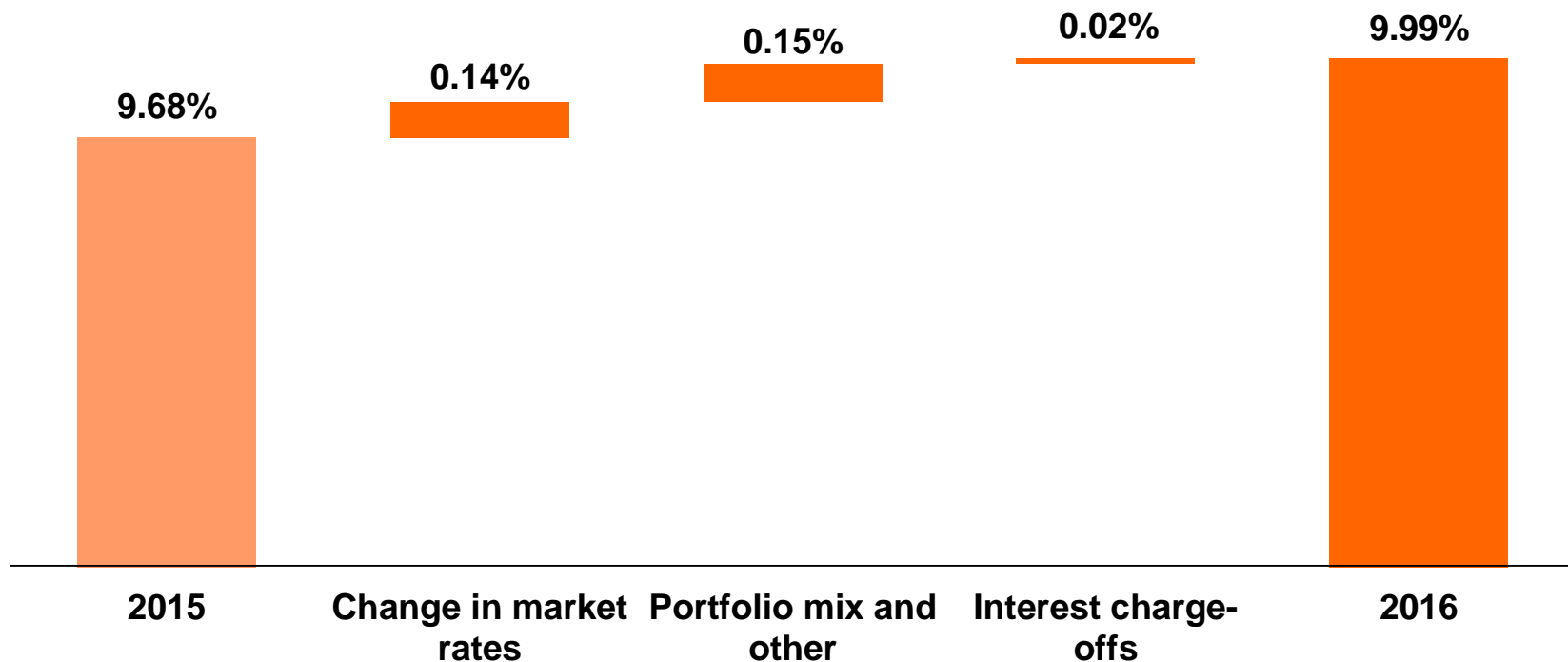
Note(s)

- 1. 2007 data is as of fiscal year ending November 30, 2007
- 2. Includes Network Partners volume

Net Interest Margin –

Asset sensitivity helped drive NIM expansion in 2016

Net Interest Margin



2017 NIM guidance: slightly higher than 2016

The benefit of incremental increases in the prime rate will be partially offset by higher:

- Wholesale funding costs
- Balance transfer and promotional balances
- Deposit betas
- Interest charge-offs

Payments –

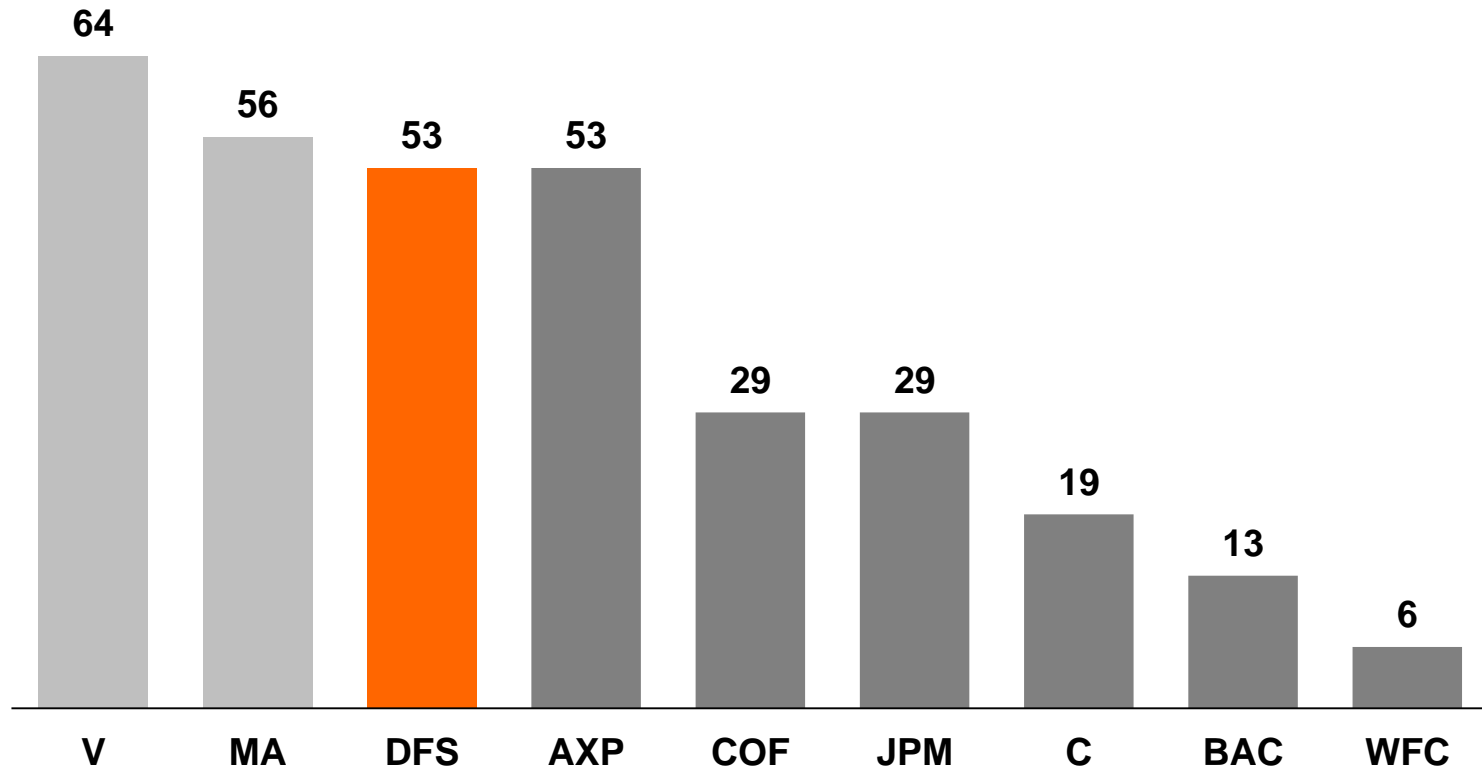
Leverage payments assets to support card issuing



Card –

Proprietary network helps drive brand recognition

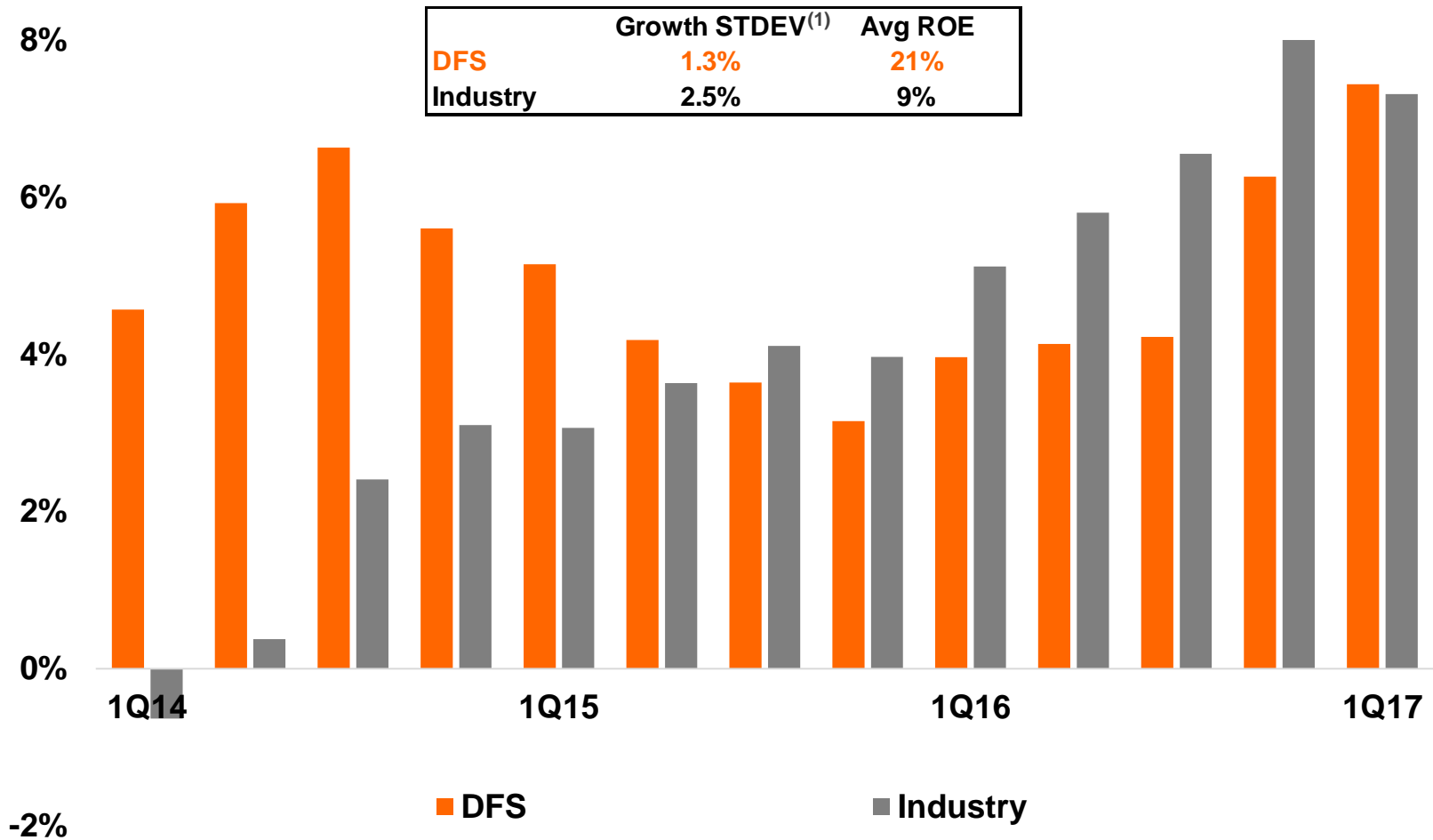
Average Unaided Card Brand Awareness



Source: 2016 Millward Brown Brand Tracking Study

Card –

Loan growth has been consistent and profitable



Source: Company filings. Industry includes AXP, BAC, C, COF, JPM, SYF, WFC.

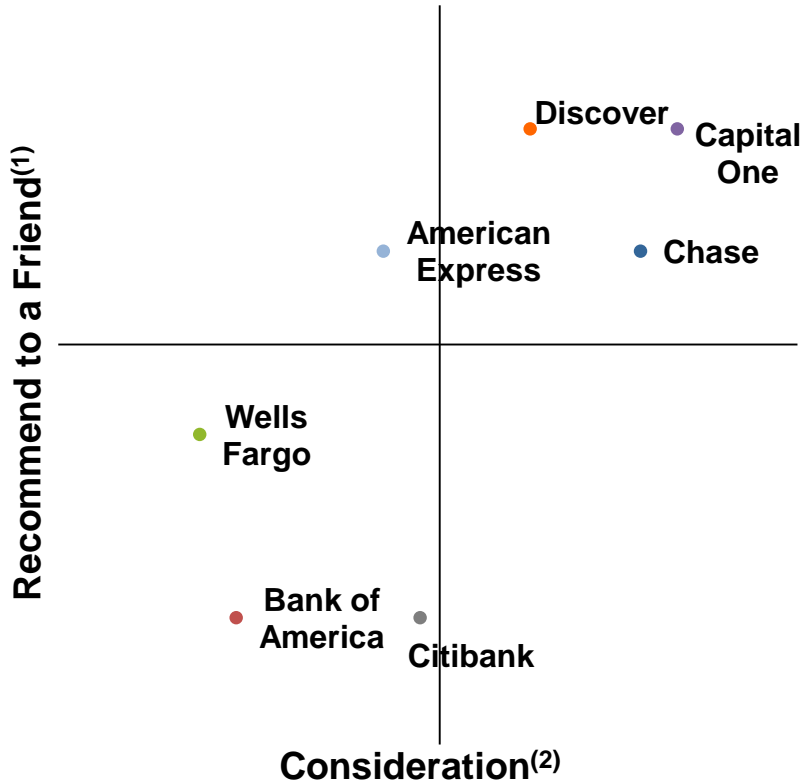
Note(s)

1. Standard deviation of quarterly loan growth

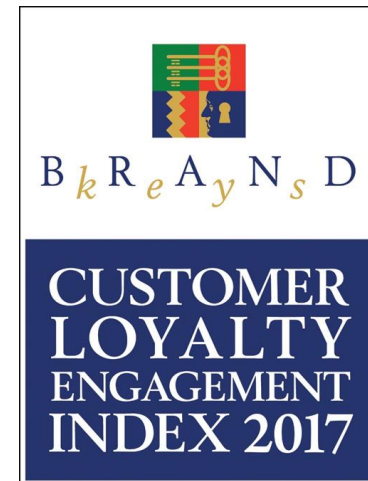
Card –

Recognized leader in customer satisfaction and loyalty

Brand Strength



Customer Satisfaction



Source: 2016 Brand Health Tracker Study, Millward Brown

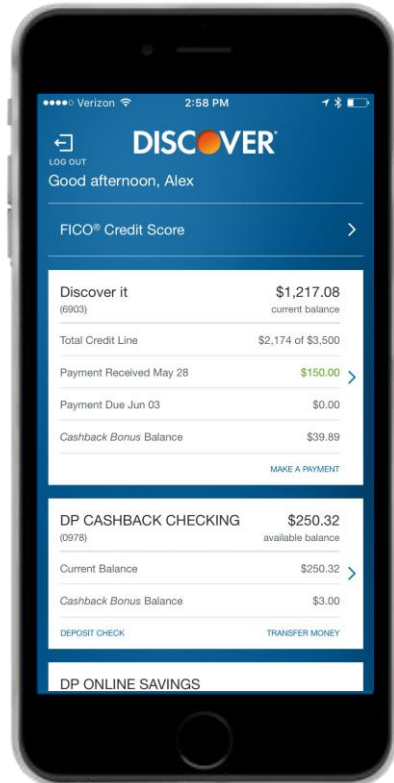
Note(s)

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

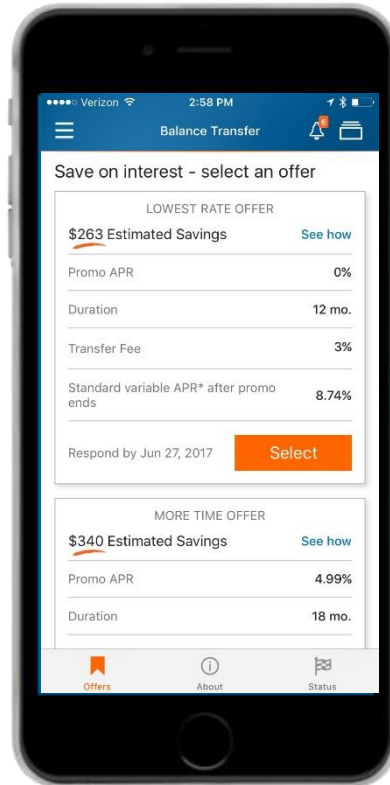
Card –

Digital driving customer experience and efficiencies

Mobile Experiences



Single Sign On Portal



Balance Transfer Offers

2016 Digital Efficiency Metrics

Applications:

Website

47%

Mobile

40%

Digital Payments

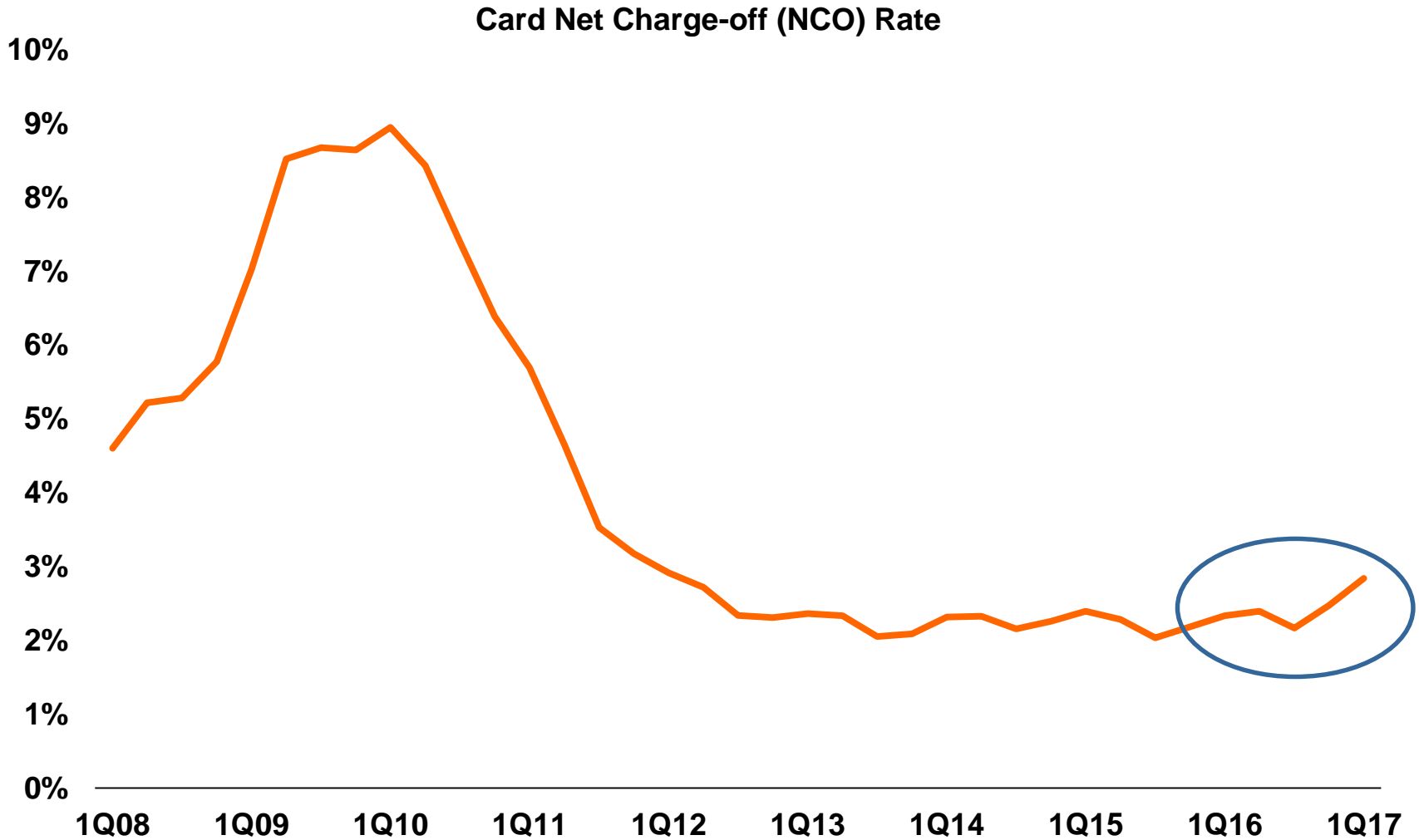
64%

Mobile Logins

50%

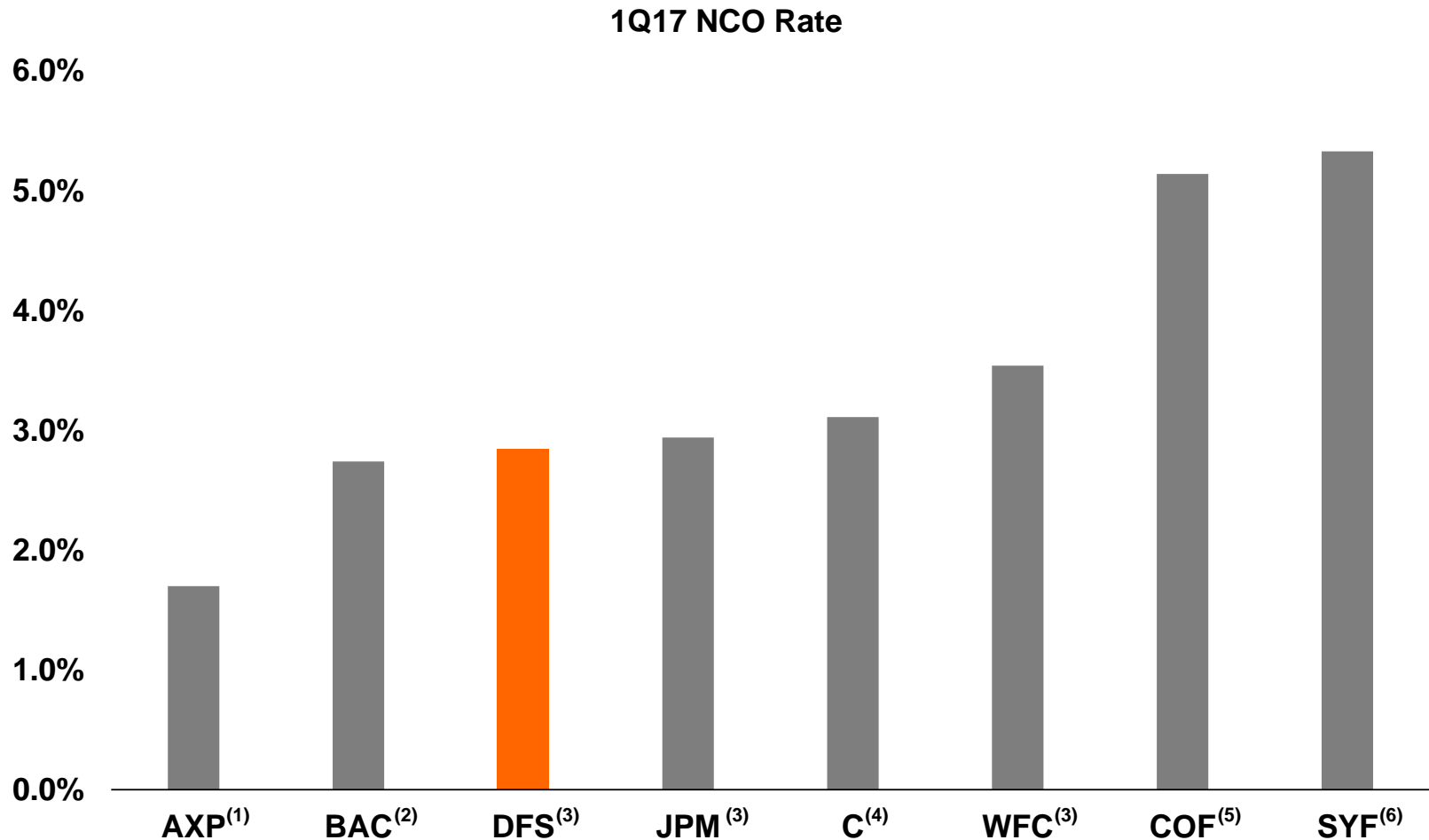
Card –

One's view on credit depends on one's perspective



Card –

Net charge-off rate remains among the lowest in the industry



Source: Company filings

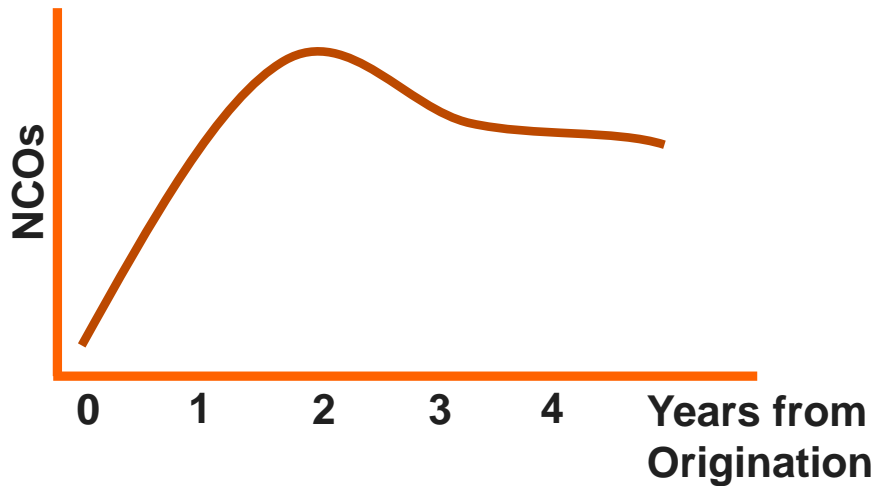
Note(s)

- 1. U.S. Consumer Services card member loans
- 2. U.S. Card
- 3. Credit card
- 4. North America Citi-Branded Cards
- 5. Domestic Card
- 6. Total company

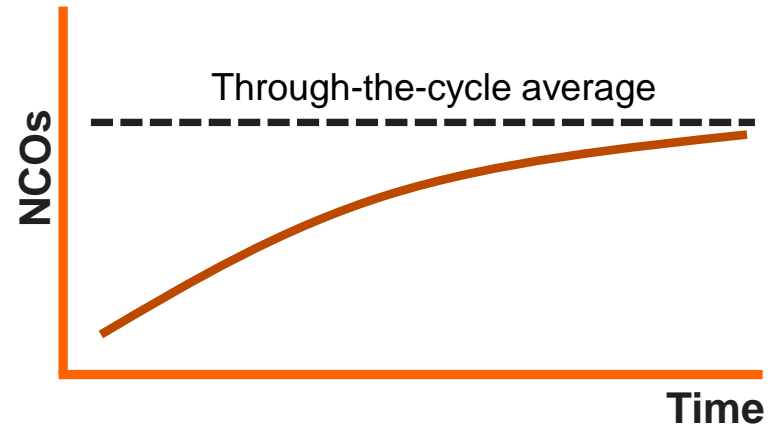
Card –

Charge-off drivers⁽¹⁾

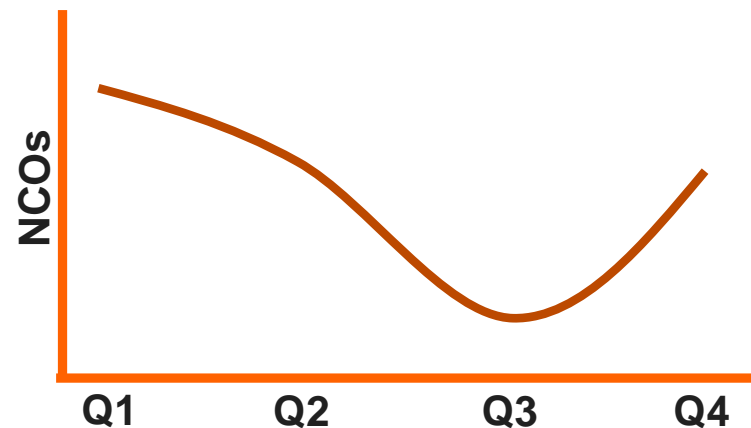
Seasoning



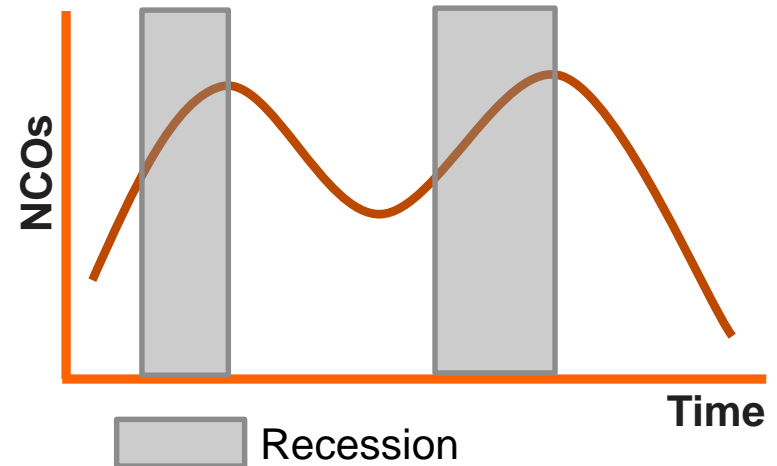
Normalization (Mean Reversion)



Seasonality



Macroeconomic fundamentals

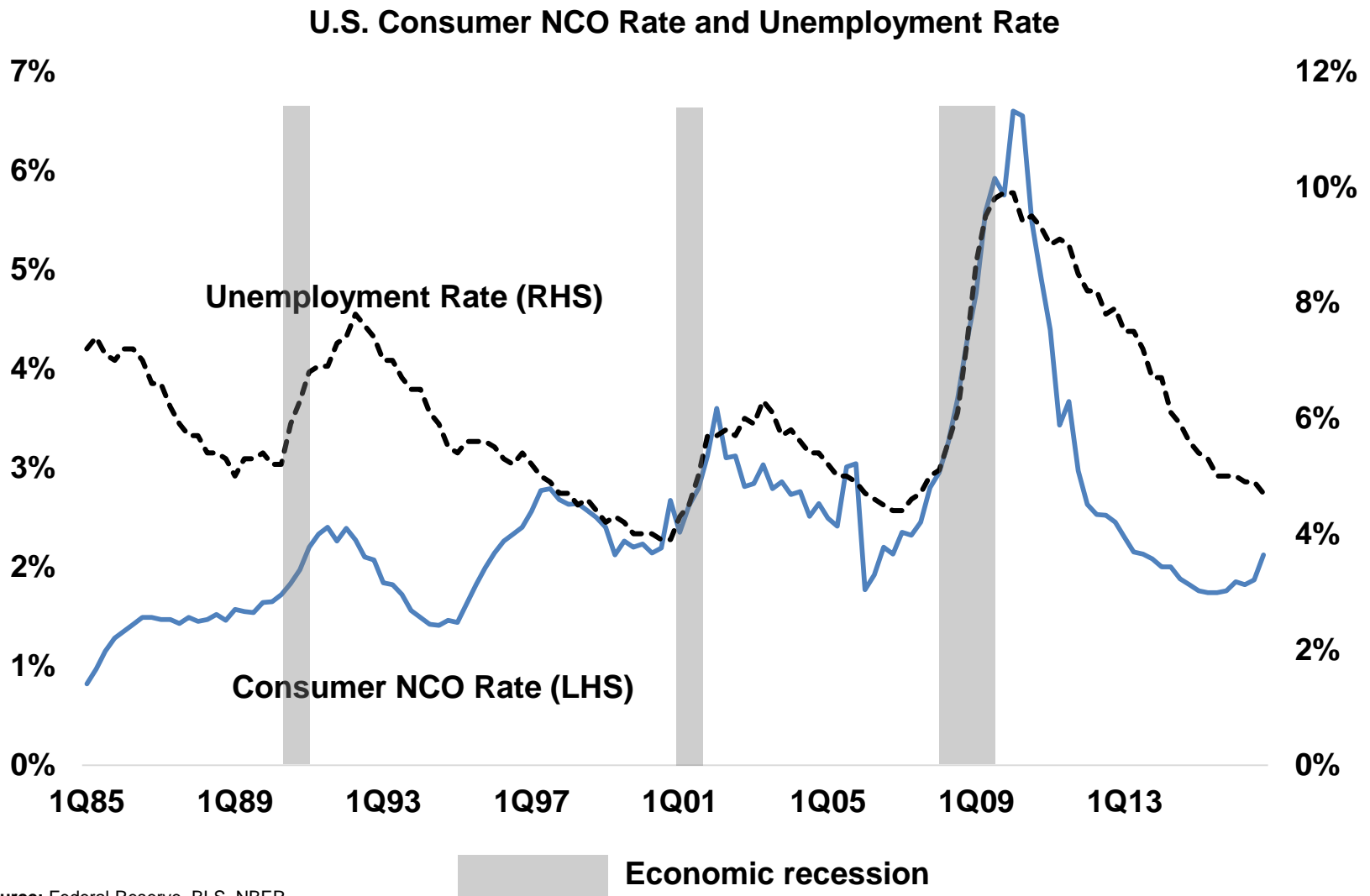


Note(s)

1. Illustrative depictions; graphs do not represent actual data

Card –

Recessions trigger cyclical consumer credit inflections

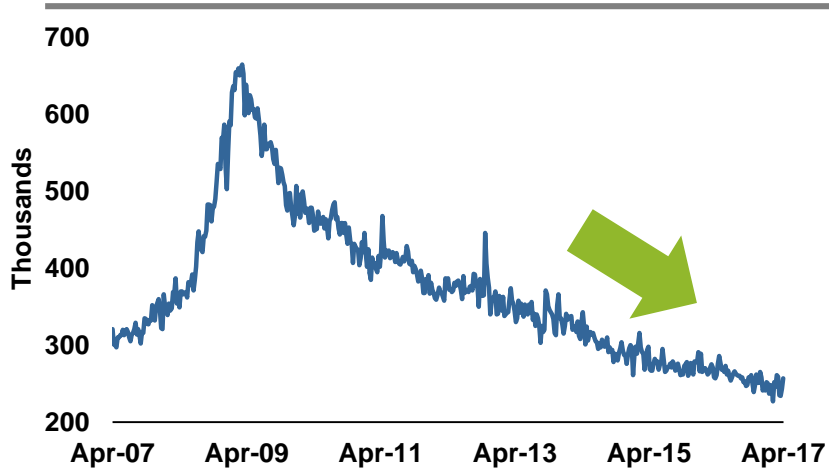


Source: Federal Reserve, BLS, NBER

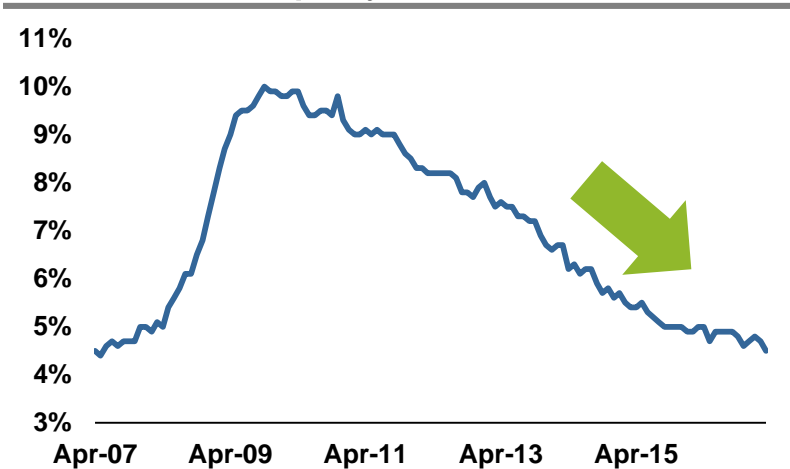
Card –

Consumer credit fundamentals remain favorable

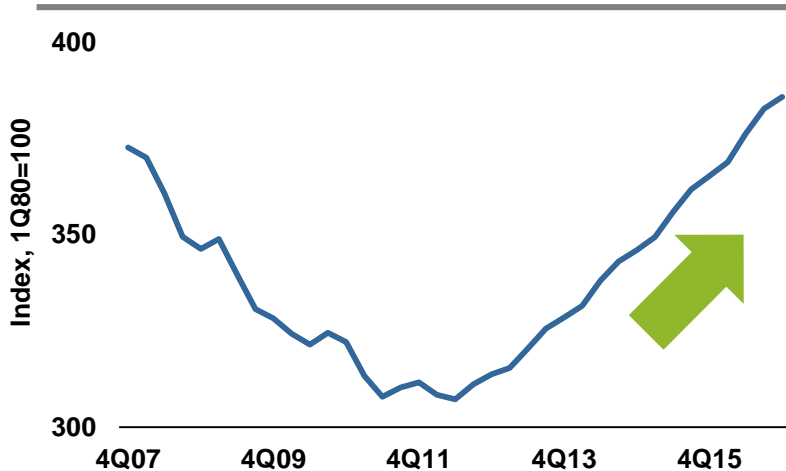
Initial Jobless Claims



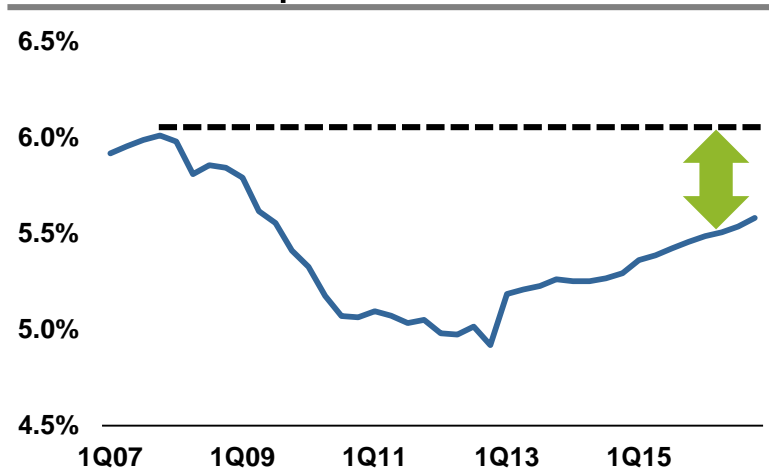
Unemployment Rate



Home Prices



Debt to Disposable Income Ratio



Source: DOL, BLS, FHFA, Federal Reserve

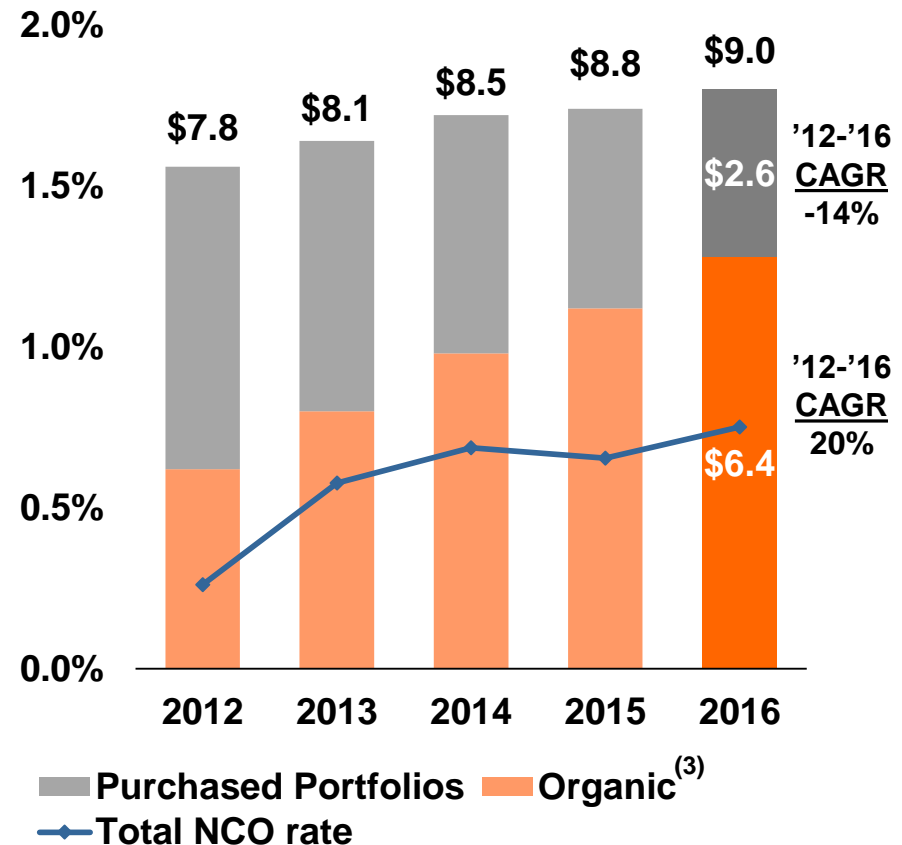
Private Student Loans –

Discover is one of the largest private student lenders

Overview

- Not-for-profit schools with 4-year undergraduate or graduate degree programs, bar and residency loans
 - 99 of top 100 national universities⁽¹⁾
 - 50 of top 50 medical, law and graduate business schools⁽¹⁾
- Cosigner rate of ~90% on originations
- Average FICO > 750 at acquisition⁽²⁾
- School certification and direct disbursement to school for all graduate and undergraduate borrowers

Loans (\$Bn)



Note(s)

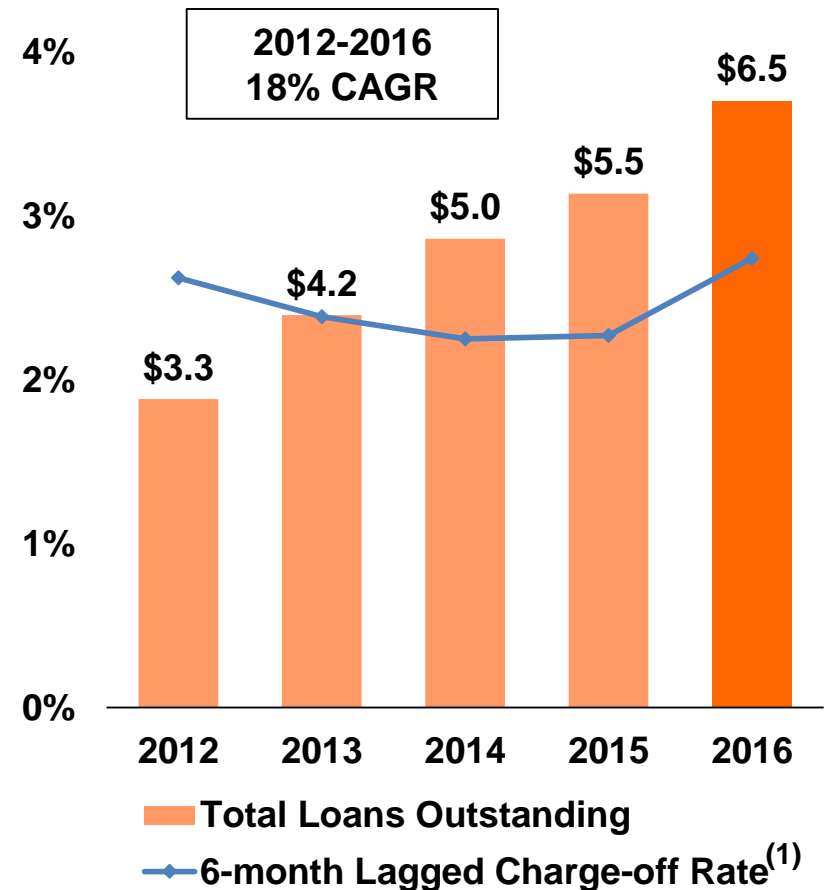
1. Placement of Discover brand at schools that use a lender list; rankings based on 2017 U.S. News and World Report
2. The higher of the borrower or the co-signer at origination on the organic portfolio
3. Includes CitiAssist branded originated loans for 2012

Personal Loans – Driving disciplined, profitable growth

Overview

- Superior alternative for consolidating debt
- Typical installment loan characteristics:
 - 3- to 7-year term
 - Up to \$35,000
 - Average portfolio FICO of 745
- Two-thirds of borrowers have a Discover credit card

Loans (\$Bn)

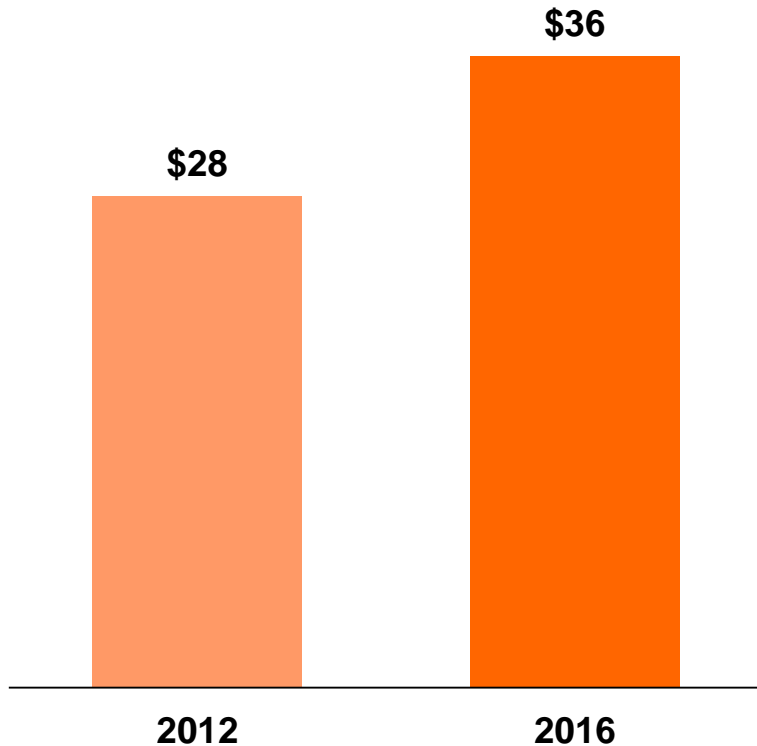


Note(s)

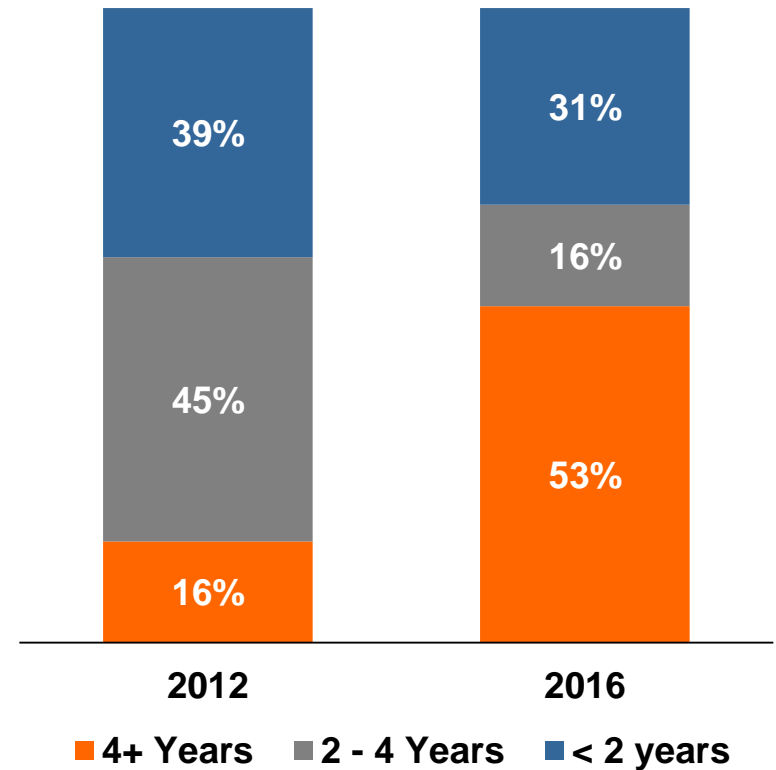
1. An example calculation of 6-month Lagged Charge-off Rate: net principal charge-offs for the 12 months ending December 31, 2016 divided by average loan balance of the 12 months ending June 30, 2016

Direct-to-Consumer Deposits (DTC) – Funding asset growth with high quality deposits

DTC
Deposits (\$Bn)



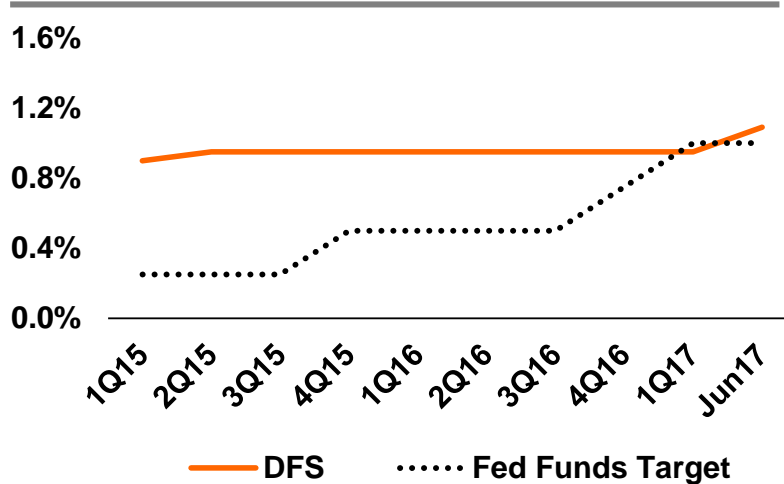
DTC Balances
by Life of Relationship



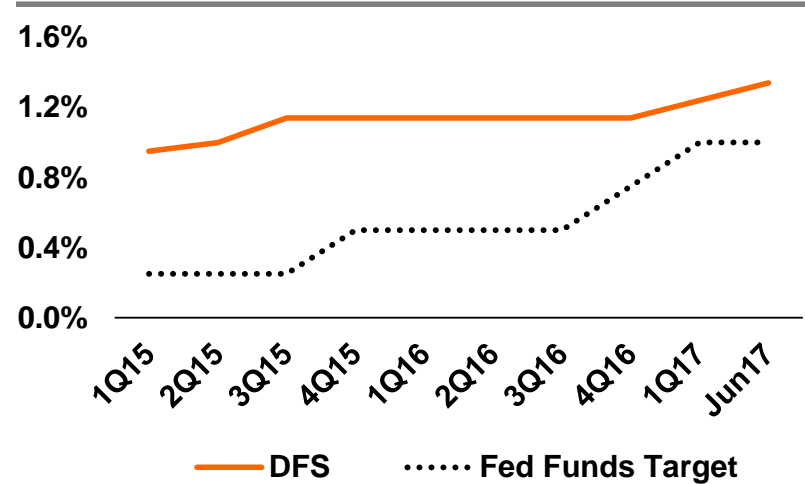
Direct-to-Consumer Deposits –

Low deposit betas have contributed to asset sensitivity

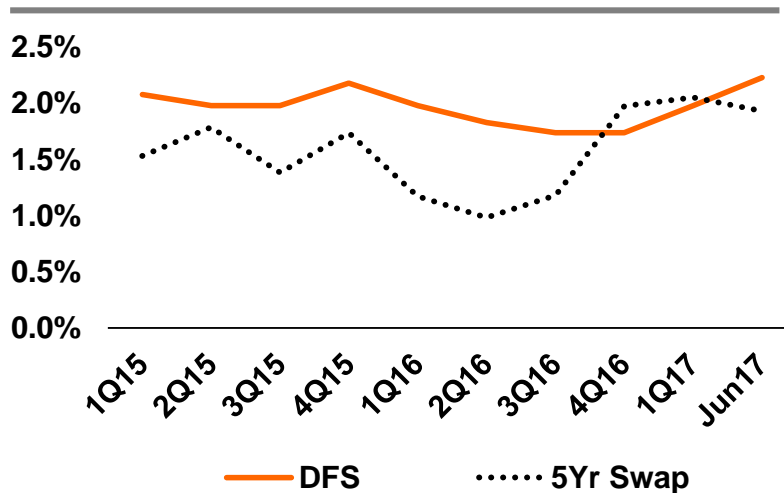
Savings



12M CD



60M CD



Deposit Betas

- Deposit betas were essentially zero through the first two Fed rate hikes
- Direct banks began to raise deposit rates after the March 2016 rate hike, though deposit betas remain below long-term averages

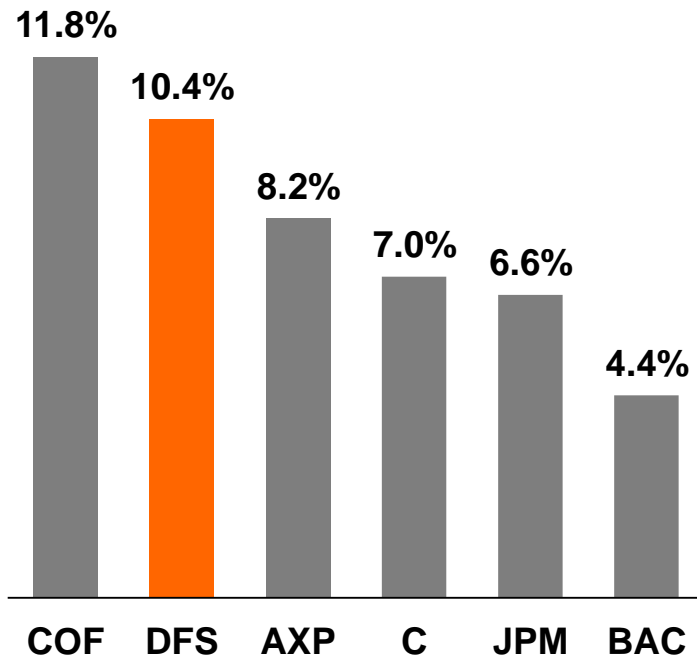
Note(s)

1. Direct peer represents the median of: ALLY, AXP, BCS, CIT, COF, EVER, GS, Nationwide, SLM, SYF, USAA

Capital –

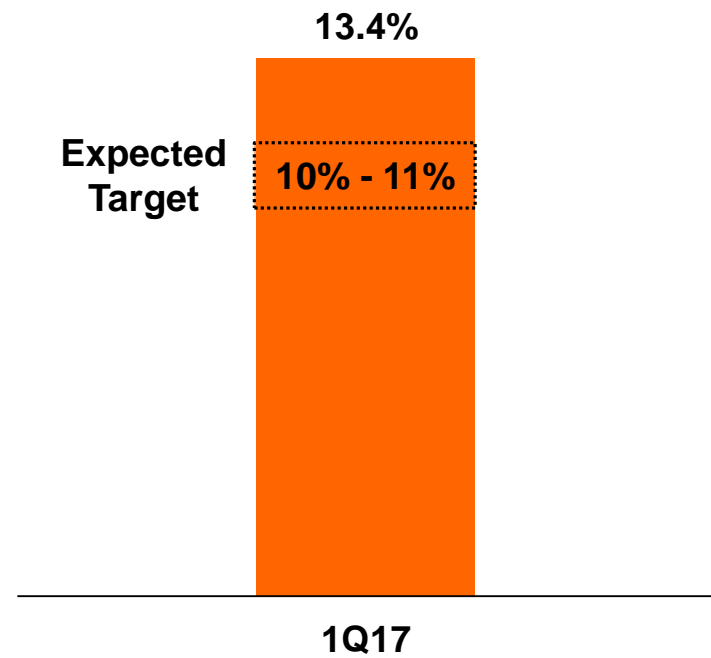
Strong capital levels allow for significant capital returns

2016 Total Yield⁽¹⁾



Source Public Company Disclosures

DFS Common Equity Tier 1 Ratio⁽²⁾



Note(s)

- 1. 2016 common dividends plus gross share repurchases divided by market capitalization at 12/31/15
- 2. Common Equity Tier 1 Capital Ratio (Basel III Transition)

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