

1Q22 Financial Results

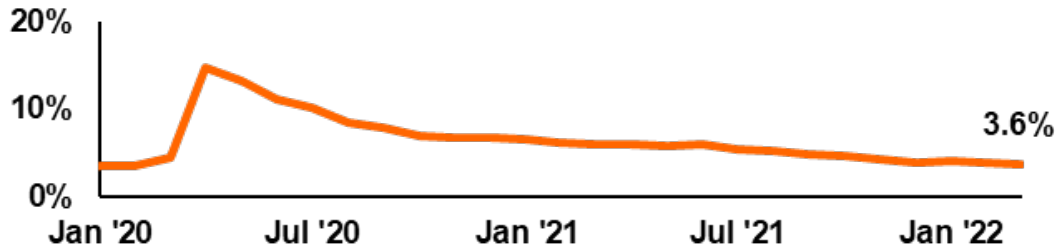
April 27, 2022

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).

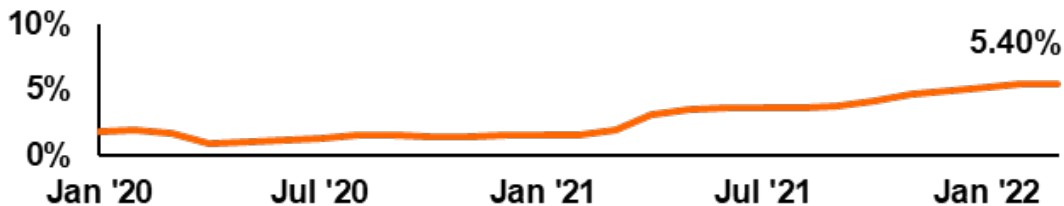
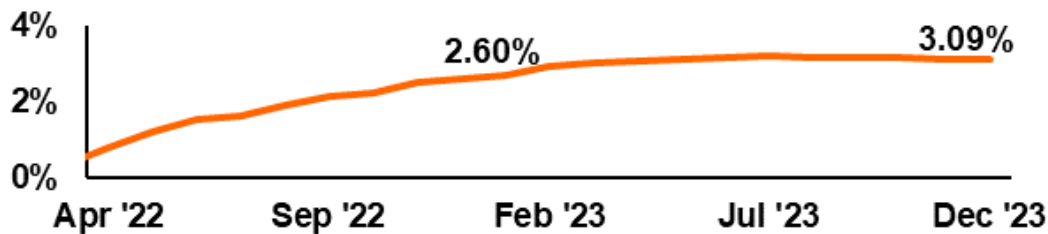
The presentation contains forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's estimates, projections, expectations or beliefs at that time, and which are subject to 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, 2021, which is filed with the SEC and available at the SEC's website (www.sec.gov) and subsequent reports on Forms 8-K and 10-Q, including the Company's Current Report on Form 8-K filed today with the SEC. The Company does not undertake to update or revise forward-looking statements as more information becomes available.

- 1Q22 Net Income of \$1.2Bn; diluted EPS of \$4.22
- Loan growth reflects continued strong sales and robust account growth throughout 2021 and into 2022, and modest decline in payment rate
- Credit performance remained strong supporting a \$175MM reserve release during the quarter; credit trends normalizing as expected
- Operating expense reflects commitment to disciplined expense management with continued investment for growth
 - Continued to invest in marketing to grow Card and Consumer Banking products
 - Ongoing investments in features and product enhancements; recently announced refreshed Cashback Debit product
- Committed to returning capital to shareholders
 - Board of Directors approved new \$4.2Bn share repurchase program expiring June 30, 2023
 - Increased dividend to \$0.60, up 20% sequentially

U3 Unemployment (%)



PCE Core Inflation YoY (%)

Fed Funds Effective (%) ⁽¹⁾

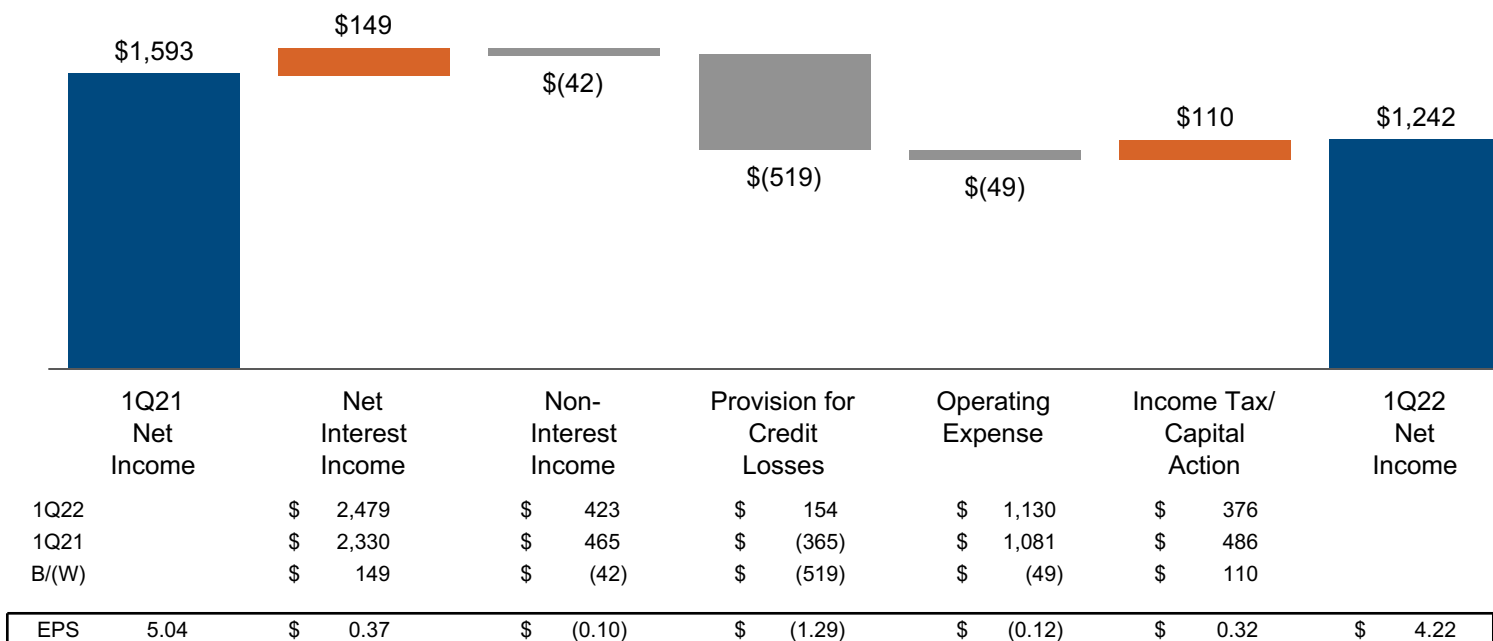
Key Points

- We have no activities in either Russia or Ukraine, and do not anticipate direct impacts from this conflict
- Strong labor market conditions contribute to slow pace of credit normalization
- Current spend behavior, borrowing patterns and credit performance in our portfolio do not suggest an imminent macro downturn
- Our asset sensitivity is well positioned for the rate environment implied by the forward curve
- We are partially macro-hedged to inflation as pressure on costs is offset by benefits to spending and/or borrowing

Note(s)

1. Implied forwards as of 4/11/22

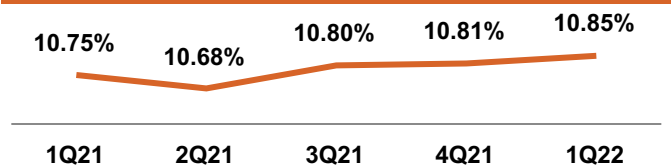
Year-Over-Year Net Income & EPS (\$MM, except EPS)



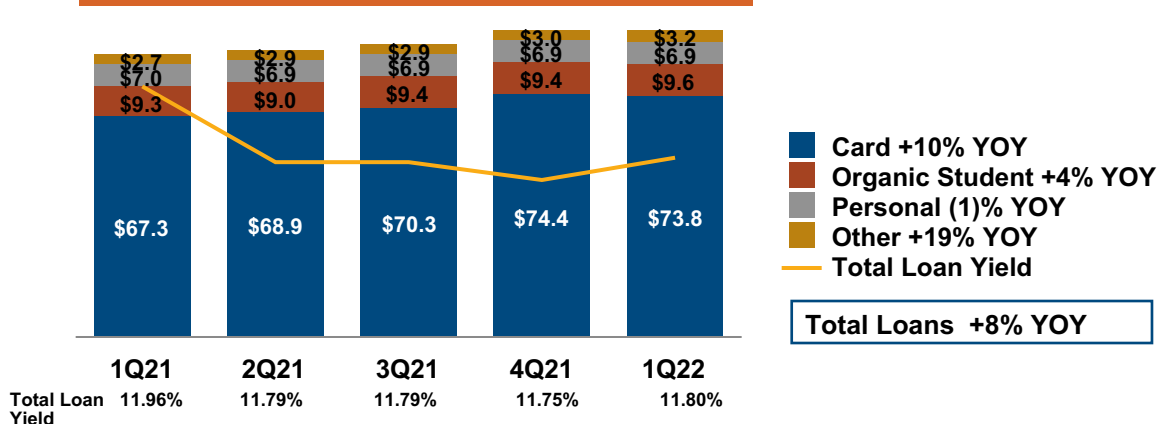
Key Points

- Revenue net of interest expense was \$2.9Bn, up 4%, driven by increased net interest income, higher net discount and interchange revenue and higher loan fee income, partially offset by a \$162MM net loss on equity investments
- Net interest margin was 10.85%, up 10 bps primarily driven by favorable funding costs partially offset by lower loan yields
- Provision for credit losses increased by \$519MM primarily reflecting a \$175MM reserve release in the current quarter compared to an \$879MM reserve release in the prior year, partially offset by a \$169MM decrease in net charge-offs
- Expenses were up \$49MM, or 5% mainly reflecting higher marketing and information processing

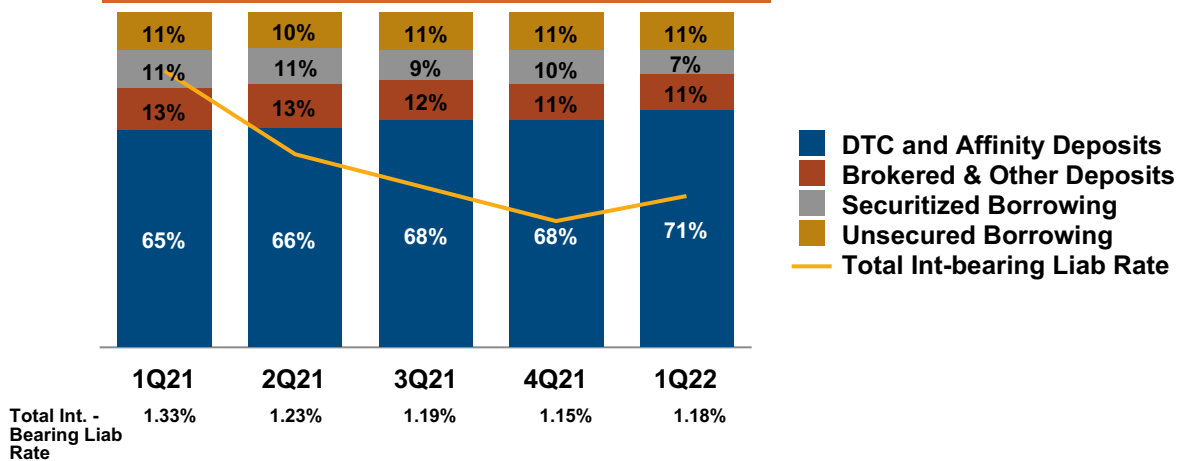
NIM on Loans



Loan Growth (\$Bn)



Funding Mix (%), Average Balance ⁽¹⁾



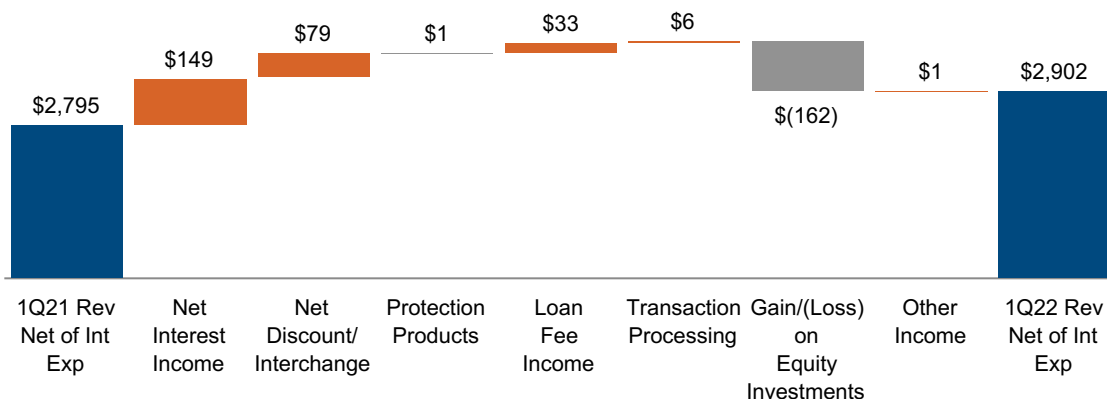
Key Points

- NIM on loans was 10.85%, up 4bps QOQ as favorable loan yields were mostly offset by higher funding costs and interest charge-offs
- Total loan yield was up 5bps QOQ primarily driven by a modest increase in the credit card revolve rate partially offset higher interest charge-offs
- Consumer deposits were down 2% YOY and up 1% QOQ, and are within our target of being 70-80% of funding
- The rate on average interest-bearing liabilities increased 3bps QOQ, driven by increased consumer deposit pricing

Note(s)

1. DTC and Affinity Deposits include checking and reflect both interest-bearing and non-interest bearing consumer deposits

Year-Over-Year Revenue (\$MM)



Key Points

- Net interest income increased 6% primarily due to higher average receivables and favorable funding costs partially offset by a lower revolve rate and higher mix of promotional rate balances
- Net discount and interchange revenue was up 33% driven by higher sales volume; higher volume also increased rewards costs, though the rewards rate was down 2bps YOY
- Loan fee income increased 31% primarily reflecting higher late fees
- The realized / unrealized loss primarily reflects mark-to-market adjustments on equity investments

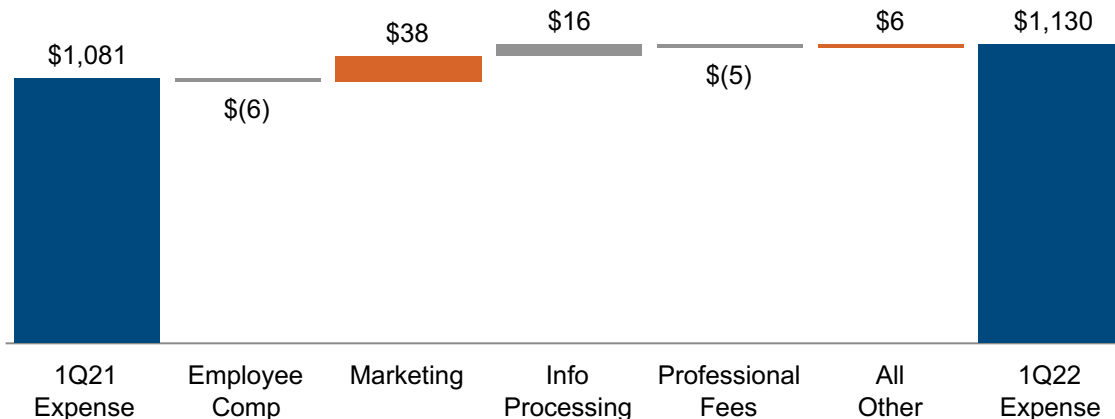
(\$MM)	1Q22	1Q21	Inc / (Dec)	
			\$	%
Net Interest Income	2,479	2,330	149	6%
Net Discount/Interchange Revenue	320	241	79	33%
Protection Products Revenue	44	43	1	2%
Loan Fee Income	140	107	33	31%
Transaction Processing Revenue	57	51	6	12%
Realized/Unrealized Gain/(Loss) on Equity Investment	(162)	0	(162)	NM
Other Income	24	23	1	4%
Total Non-Interest Income	423	465	(42)	(9%)
Revenue Net of Interest Expense	<u>\$2,902</u>	<u>\$2,795</u>	<u>\$107</u>	<u>4%</u>

	1Q22	1Q21	Change	
			QOQ	YOY
Discover Card Sales Volume (\$MM)	\$46,329	\$37,744	(10)%	23%
Rewards Rate ⁽¹⁾	1.36 %	1.38 %	1bps	(2)bps

Note(s)

1. Rewards rate represents credit card rewards cost divided by Discover Card sales volume

Year-Over-Year Expense (\$MM)



(\$MM)			Inc / (Dec)	
	1Q22	1Q21	\$	%
Employee Compensation and Benefits	\$500	\$506	(6)	(1%)
Marketing and Business Development	192	154	38	25%
Information Processing & Communications	125	109	16	15%
Professional Fees	177	182	(5)	(3%)
Premises and Equipment	24	24	0	—%
Other Expense	112	106	6	6%
Total Operating Expense	\$1,130	\$1,081	\$49	5%
Operating Efficiency⁽¹⁾	38.9 %	38.7 %		20 bps

Note(s)

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

Key Points

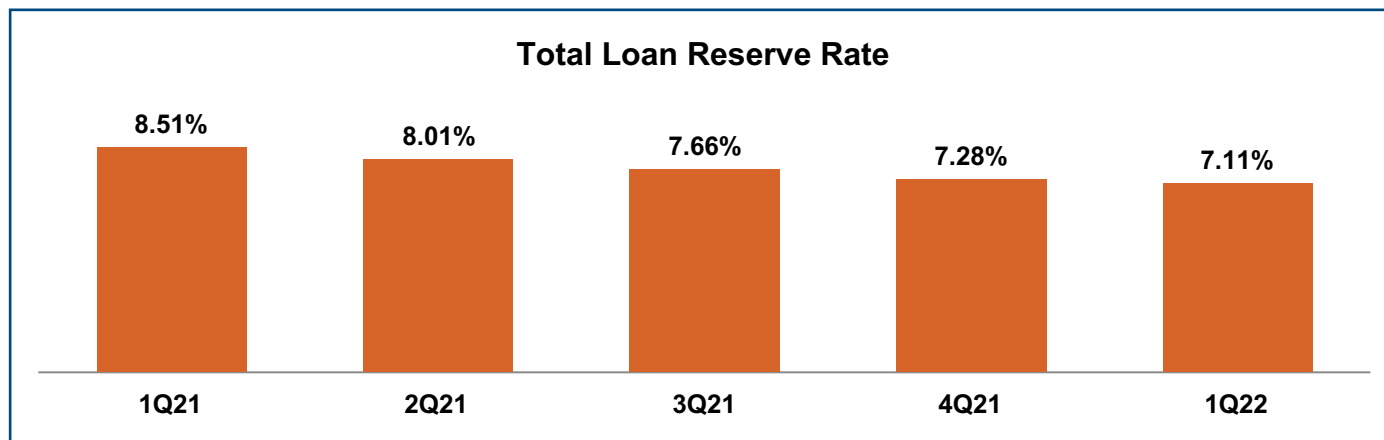
- Employee compensation decreased driven by lower bonus accrual vs 1Q21 and lower headcount partially offset by higher average salaries and benefits
- Recently increased base pay across the low end of our compensation scale in order to remain competitive and attract and retain talent
- Marketing increased primarily due to investments in Card acquisition and Consumer Banking
- Information processing increased driven by investments in infrastructure and analytics

	1Q21	4Q21	1Q22	Change	
				QOQ	YOY
Credit Card Loans					
Ending Loan Balance (\$MM)	\$67,304	\$74,369	\$73,783	(0.8)%	9.6%
Net Principal Charge-off Rate	2.80%	1.50%	1.84%	34 bps	(96) bps
30-Day Delinquency Rate	1.85%	1.66%	1.77%	11 bps	(8) bps
Private Student Loans					
Ending Loan Balance (\$MM)	\$10,153	\$10,113	\$10,314	2.0%	1.6%
Net Principal Charge-off Rate	0.53%	0.80%	0.69%	(11) bps	16 bps
30-Day Delinquency Rate	1.20%	1.55%	1.62%	7 bps	42 bps
Personal Loans					
Ending Loan Balance (\$MM)	\$6,961	\$6,936	\$6,904	(0.5)%	(0.8)%
Net Principal Charge-off Rate	2.80%	1.21%	1.12%	(9) bps	(168) bps
30-Day Delinquency Rate	0.84%	0.69%	0.69%	0 bps	(15) bps
Total Loans					
Ending Loan Balance (\$MM)	\$86,347	\$93,684	\$93,471	(0.2)%	8.3%
Net Principal Charge-off Rate	2.48%	1.37%	1.61%	24 bps	(87) bps
30-Day Delinquency Rate	1.67%	1.55%	1.64%	9 bps	(3) bps

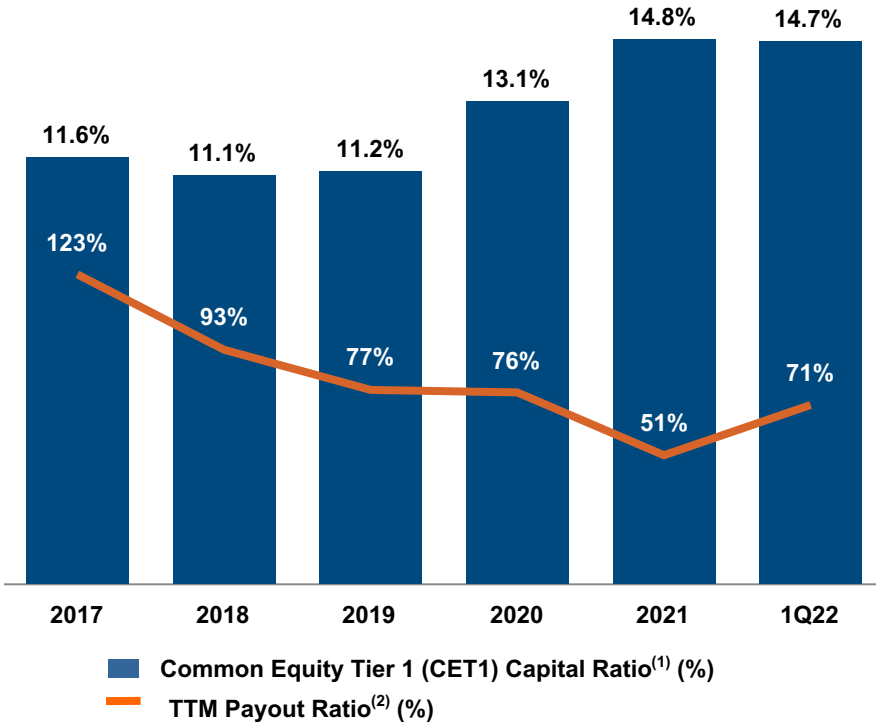
Key Points

- Credit card net charge-off rate decreased 96bps YOY and 30-Day delinquency decreased 8bps YOY reflecting strong credit performance in the portfolio
- Student loan credit performance remained stable at low levels
- Personal loan net charge-offs decreased 168bps YOY reflecting enhanced underwriting and elevated consumer liquidity

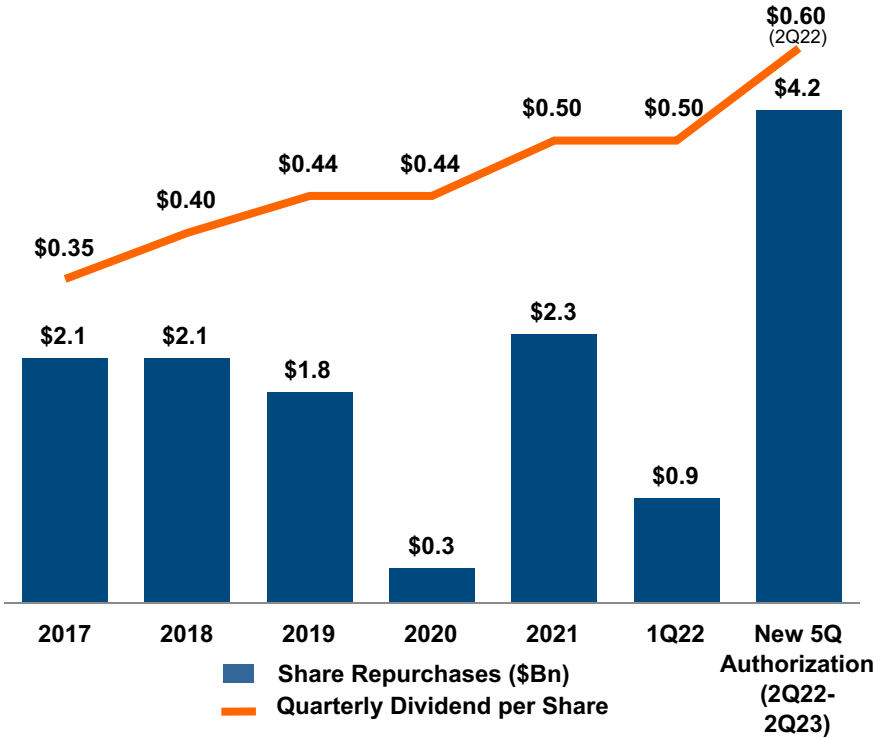
(\$MM)	Credit Card	Student Loans	Personal Loans	Other	Total Loans
Balance at January 1, 2020	4,550	653	613	28	5,844
<i>Reserve rate</i>	<i>5.90%</i>	<i>6.76%</i>	<i>7.97%</i>	<i>N/A</i>	<i>6.09%</i>
Balance at December 31, 2021	\$5,273	\$843	\$662	\$44	\$6,822
<i>Reserve rate</i>	<i>7.09%</i>	<i>8.33%</i>	<i>9.54%</i>	<i>N/A</i>	<i>7.28%</i>
Provision for credit losses	178	45	(30)	—	193
Net Charge-offs	331	18	19	—	368
Balance at March 31, 2022	\$5,120	\$870	\$613	\$44	\$6,647
<i>Reserve rate</i>	<i>6.94%</i>	<i>8.43%</i>	<i>8.88%</i>	<i>N/A</i>	<i>7.11%</i>



Capital Position



Capital Return⁽³⁾



Key Points

- The Common Equity Tier 1 ratio of 14.7% remains above our target of 10.5%
- The Board of Directors approved a \$4.2Bn share repurchase authorization expiring in June 2023, and approved a 20% increase in the common dividend to \$0.60 per share

Note(s)

1. Based on the final rule published September 30, 2020. Capital ratios reflect delay in the recognition of the impact of CECL reserves on regulatory capital for two years in accordance with the final rule
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
3. Quarterly dividend per share figures for 2017 through 2021 represent year-end levels

PreviousCurrent

Loan Growth

- Expect loan growth to be high single digits

- No Change

Net Interest Margin

- Expect NIM to be relatively flat to 2021 with quarter-to-quarter variability

- 5-15bps of upside for the full-year relative to 1Q22, with quarter-to-quarter variability

Operating Expense

- Expect total operating expense to be up mid-single digits

- No Change

Net Charge-offs

- Expect full year average net charge-off rate of 2.2-2.6%

- Expect full-year average net charge-off rate of 2.2-2.4%

Capital Management

- Expect to return significant excess capital to shareholders in 2022 and going forward

- Increased dividend to \$0.60 and approved new \$4.2Bn share repurchase plan expiring 6/30/23

Appendix

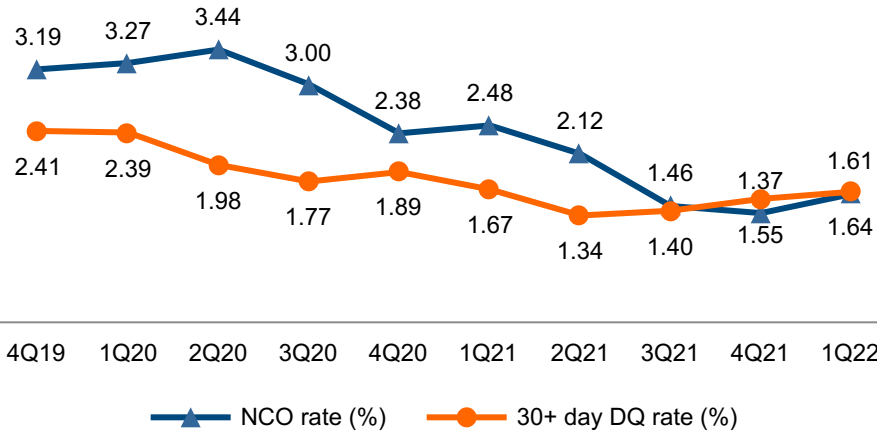
Interest-Earning Assets (\$Bn)	1Q22		4Q21		1Q21	
	Avg Bal	Yield	Avg Bal	Yield	Avg Bal	Yield
Total Loans	\$92.7	11.80 %	\$91.1	11.75 %	\$87.9	11.96 %
Other Interest-Earning Assets	15.8	1.03 %	18.5	0.95 %	28.1	0.79 %
Total Interest-Earning Assets	<u>\$108.5</u>	<u>10.23 %</u>	<u>\$109.6</u>	<u>9.93 %</u>	<u>\$116.0</u>	<u>9.25 %</u>

Interest-Bearing Liabilities (\$Bn)	1Q22		4Q21		1Q21	
	Avg Bal	Rate	Avg Bal	Rate	Avg Bal	Rate
Direct to Consumer Deposits ^{(1) (2)}	\$61.5	0.62 %	\$60.8	0.58 %	\$62.7	0.77 %
Brokered Deposits and Other	9.2	2.03 %	9.8	2.16 %	12.6	2.37 %
Interest Bearing-Deposits	70.6	0.80 %	70.7	0.80 %	75.3	1.04 %
Borrowings	17.9	2.68 %	18.8	2.46 %	21.2	2.36 %
Total Interest-Bearing Liabilities	<u>\$88.5</u>	<u>1.18 %</u>	<u>\$89.5</u>	<u>1.15 %</u>	<u>\$96.5</u>	<u>1.33 %</u>

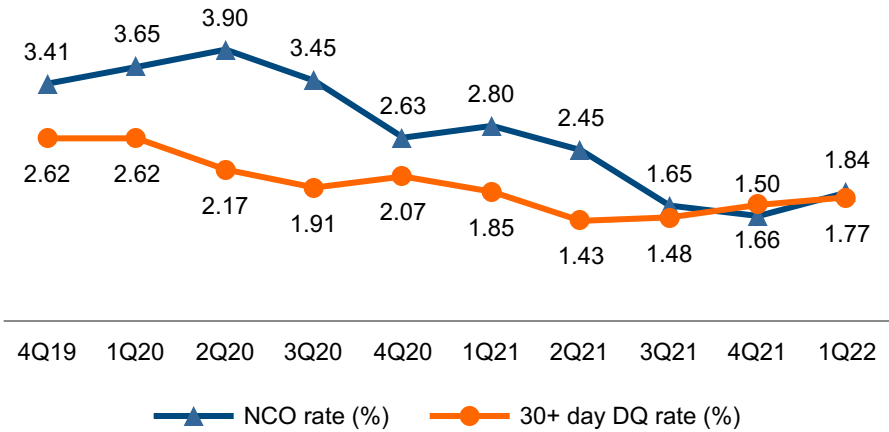
Note(s)

1. Includes Affinity relationships
2. Excludes checking which is a non-interest bearing deposit product

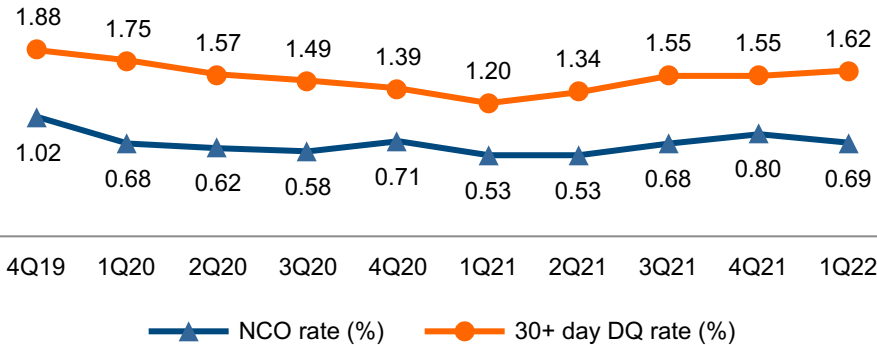
Total Company Loans



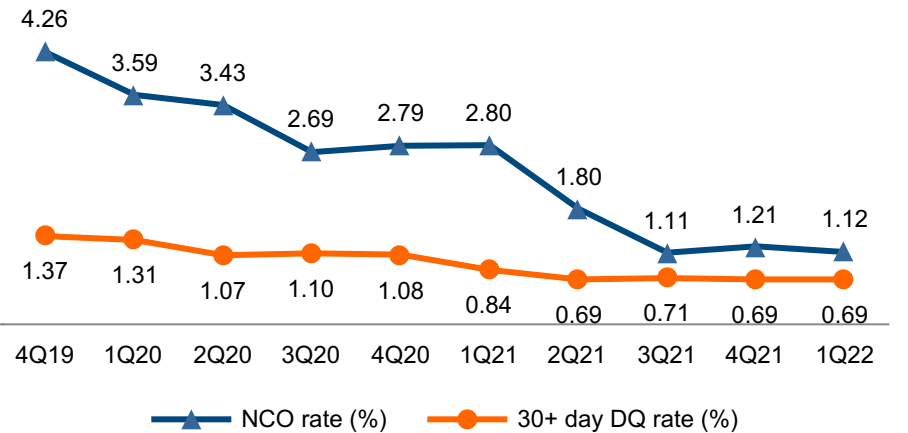
Credit Card Loans



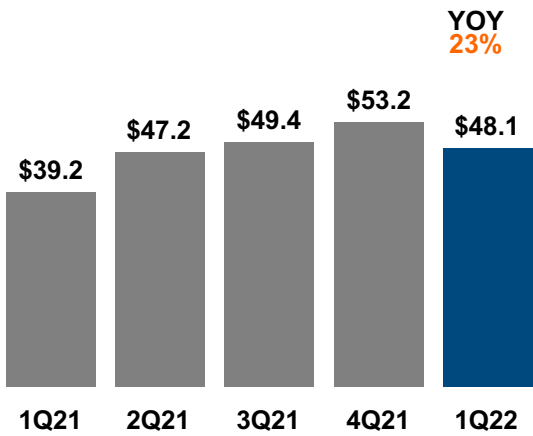
Private Student Loans



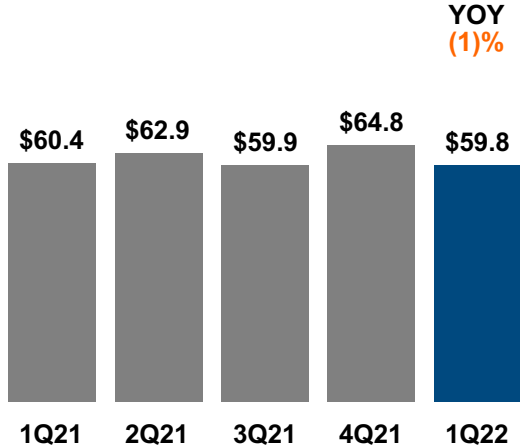
Personal Loans



Discover Network



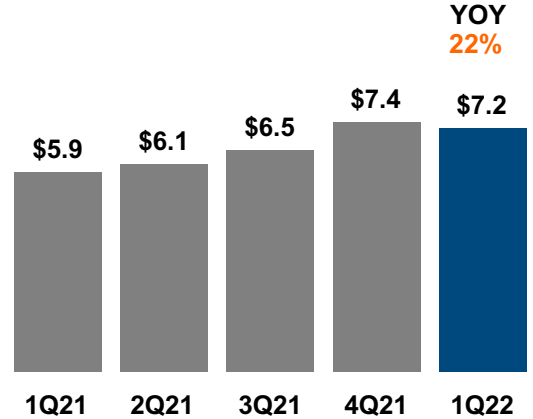
PULSE



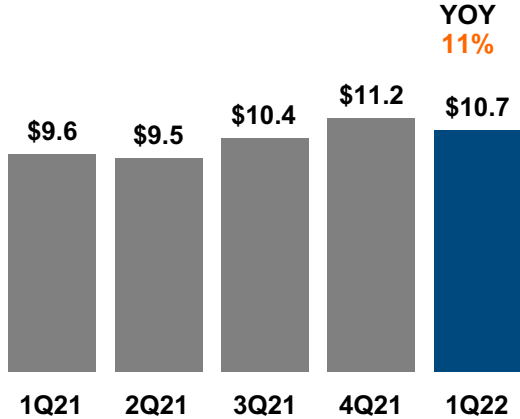
Key Points

- Discover Network volume was up 23% reflecting the increase in Discover card sales volume
- PULSE volume was down 1% YOY driven by receding spend on debit products related to the ending of federal stimulus programs
- Diners volume was up 22% from the prior year reflecting improvement in global T&E spending
- Network Partners was up 11% YOY driven by higher AribaPay volume

Diners ⁽¹⁾



Network Partners



Total Network Volume up 9% YOY

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

DISCOVER[®]

