

2024 & 4Q24 Financial Results

January 22, 2025

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).

Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements, which speak to our expected business and financial performance, among other matters, contain words such as "believe," "expect," "anticipate," "intend," "plan," "aim," "will," "may," "should," "could," "would," "likely," "forecast," and similar expressions. Such statements are based on the current beliefs and expectations of our management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements. These forward-looking statements speak only as of the date of this presentation and there is no undertaking to update or revise them as more information becomes available. The following factors, among others, could cause actual results to differ materially from those set forth in the forward-looking statements: changes in economic variables, such as the availability of consumer credit, the housing market, energy costs, the number and size of personal bankruptcy filings, the rate of unemployment, the levels of consumer confidence and consumer debt and investor sentiment; the impact of current, pending and future legislation, regulation, supervisory guidance and regulatory and legal actions, including, but not limited to, those related to accounting guidance, tax reform, financial regulatory reform, consumer financial services practices, anti-corruption and funding, capital and liquidity; risks related to the proposed merger with Capital One Financial Corporation ("Capital One") including, among others, (i) failure to complete the merger with Capital One or unexpected delays related to the merger or the inability of the parties to obtain regulatory approvals or satisfy other closing conditions required to complete the merger, (ii) regulatory approvals resulting in the imposition of conditions that could adversely affect the combined company or the expected benefits of the transaction, (iii) diversion of management's attention from ongoing business operations and opportunities, (iv) cost and revenue synergies from the merger may not be fully realized or may take longer than anticipated to be realized, (v) the integration of each party's management, personnel and operations will not be successfully achieved or may be materially delayed or will be more costly or difficult than expected, (vi) deposit attrition, customer or employee loss and/or revenue loss as a result of the announcement of the proposed merger, (vii) expenses related to the proposed merger being greater than expected, and (viii) shareholder litigation that could prevent or delay the closing of the proposed merger or otherwise negatively impact our business and operations; the actions and initiatives of current and potential competitors; our ability to manage our expenses; our ability to successfully achieve card acceptance across our networks and maintain relationships with network participants and merchants; our ability to sustain our card and personal loan growth; our ability to increase or sustain Discover card usage or attract new customers; difficulty obtaining regulatory approval for, financing, closing, transitioning, integrating or managing the expenses of acquisitions of or investments in new businesses, products or technologies; our ability to manage our credit risk, market risk, liquidity risk, operational risk, compliance and legal risk and strategic risk; the availability and cost of funding and capital; access to deposit, securitization, equity, debt and credit markets; the impact of rating agency actions; the level and volatility of equity prices, commodity prices and interest rates, currency values, investments, other market fluctuations and other market indices; losses in our investment portfolio; limits on our ability to pay dividends and repurchase our common stock; limits on our ability to receive payments from our subsidiaries; fraudulent activities or material security breaches of our or others' key systems; our ability to remain organizationally effective; our ability to maintain relationships with merchants; the effect of political, economic and market conditions, geopolitical events, climate change, pandemics and unforeseen or catastrophic events; our ability to introduce new products and services; our ability to manage our relationships with third-party vendors, as well as those with which we have no direct relationship such as our employees' internet service providers; our ability to maintain current technology and integrate new and acquired systems and technology; our ability to collect amounts for disputed transactions from merchants and merchant acquirers; our ability to attract and retain employees; our ability to protect our reputation and our intellectual property; our ability to comply with regulatory requirements; and new lawsuits, investigations or similar matters or unanticipated developments related to current matters. We routinely evaluate and may pursue acquisitions of, investments in or divestitures from businesses, products, technologies, loan portfolios or deposits, which may involve payment in cash or our debt or equity securities.

Additional factors that could cause the company's results to differ materially from those described in the forward-looking statements can be found under "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/A for the year ended December 31, 2023, which is filed with the SEC and available at the SEC's internet site (<http://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.

Important Information About the Transaction and Where to Find It

Capital One has filed a registration statement on Form S-4 (No. 333-278812) with the SEC, which became effective on January 6, 2025, to register the shares of Capital One's common stock that will be issued to Discover stockholders in connection with the proposed transaction. The registration statement includes a joint proxy statement of Capital One and Discover that also constitutes a prospectus of Capital One. The definitive joint proxy statement/prospectus has been sent to the stockholders of each of Discover and Capital One in connection with the proposed transaction. **INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND JOINT PROXY STATEMENT/PROSPECTUS (AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE TRANSACTION OR INCORPORATED BY REFERENCE INTO THE JOINT PROXY STATEMENT/PROSPECTUS) BECAUSE SUCH DOCUMENTS CONTAIN IMPORTANT INFORMATION REGARDING THE PROPOSED TRANSACTION AND RELATED MATTERS.** Investors and security holders may obtain free copies of these documents and other documents filed with the SEC by Discover or Capital One through the website maintained by the SEC at <http://www.sec.gov> or by contacting the investor relations department of Discover or Capital One at:

Discover Financial Services
2500 Lake Cook Road
Riverwoods, IL 60015
Attention: Investor Relations
investorrelations@discover.com
(224) 405-4555

Capital One Financial Corporation
1680 Capital One Drive
McLean, VA 22102
Attention: Investor Relations
investorrelations@capitalone.com
(703) 720-1000

Before making any voting or investment decision, investors and security holders of Discover and Capital One are urged to read carefully the entire registration statement and joint proxy statement/prospectus, because they contain important information about the proposed transaction. Free copies of these documents may be obtained as described above.

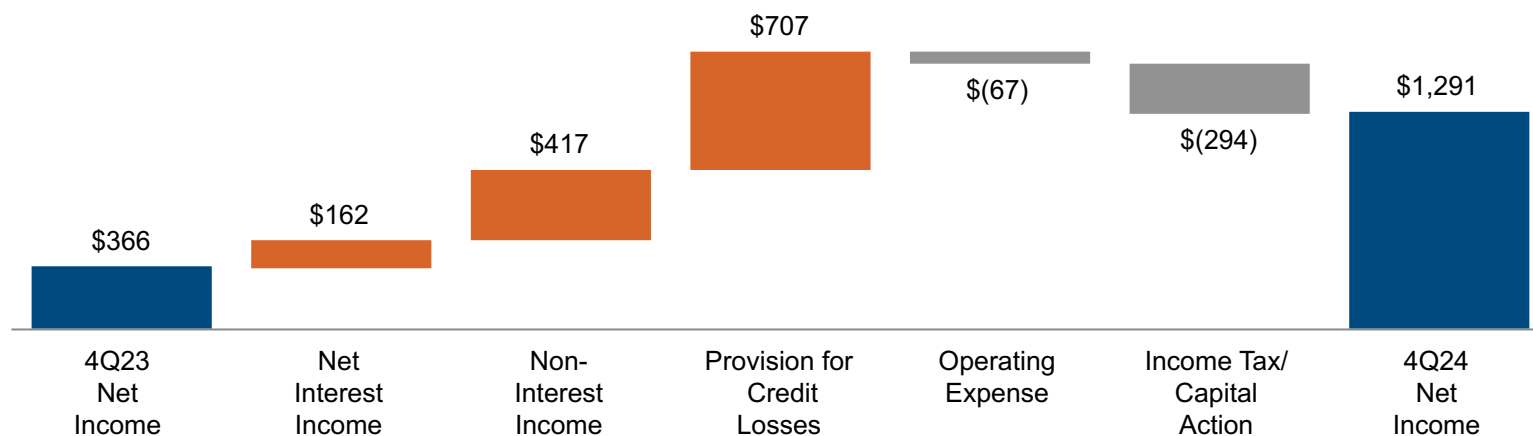
Participants in Solicitation

Discover, Capital One and certain of their directors and executive officers may be deemed participants in the solicitation of proxies from the stockholders of each of Discover and Capital One in connection with the transaction. Information regarding the directors and executive officers of Discover and Capital One and other persons who may be deemed participants in the solicitation of the stockholders of Discover or of Capital One in connection with the transaction are included in the joint proxy statement/prospectus related to the proposed transaction, which was filed by Capital One with the SEC. Information about the directors and executive officers of Discover and their ownership of Discover common stock can also be found in Discover's definitive proxy statement in connection with its 2024 annual meeting of stockholders, as filed with the SEC on March 15, 2024, as supplemented by Discover's proxy statement supplement, as filed with the SEC on April 2, 2024, and other documents subsequently filed by Discover with the SEC. Information about the directors and executive officers of Capital One and their ownership of Capital One common stock can also be found in Capital One's definitive proxy statement in connection with its 2024 annual meeting of stockholders, as filed with the SEC on March 20, 2024, and other documents subsequently filed by Capital One with the SEC. Additional information regarding the interests of such participants will be included in the joint proxy statement/prospectus and other relevant documents regarding the proposed transaction filed with the SEC when they become available.

- 2024 net income of \$4.5Bn; diluted EPS of \$17.72, and return on equity of 28%
 - 4Q24 net income of \$1.3Bn; diluted EPS of \$5.11
- Strong 2024 financial performance
 - Card receivables grew 6% on average; ending consumer deposits grew 8%
 - Credit began to improve
 - Total network volume increased 6%
- Drove transformative change while focusing on core competencies
 - Entered merger agreement with Capital One
 - Exited private student lending
 - Progressed risk management and compliance capabilities
 - Continued to deliver outstanding customer service
- Merger with Capital One is steadily advancing
 - Obtained merger approval from the Delaware State Bank Commissioner
 - Definitive merger proxy was finalized; shareholder votes scheduled for February 18th

Note(s)
Merger with Capital One remains subject to numerous conditions including shareholder and regulatory approvals

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



	4Q24	4Q23	B/(W)
Net Interest Income	\$ 3,630	\$ 3,468	\$ 162
Non-Interest Income	\$ 1,129	\$ 712	\$ 417
Provision for Credit Losses	\$ 1,202	\$ 1,909	\$ 707
Operating Expense	\$ 1,855	\$ 1,788	\$ (67)
Income Tax/ Capital Action	\$ 411	\$ 117	\$ (294)

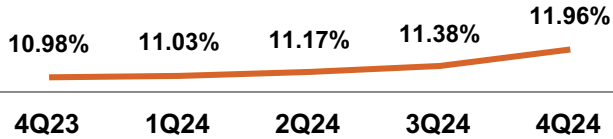
EPS	\$ 1.45	\$ 0.49	\$ 1.27	\$ 2.15	\$ (0.20)	\$ (0.05)	\$ 5.11
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Key Points

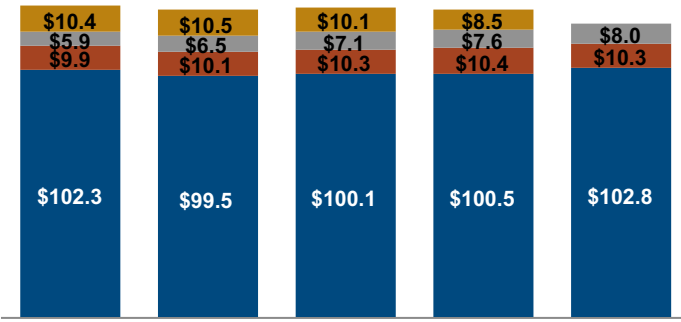
- Revenue net of interest expense was \$4.8Bn, up 14%, due to higher non-interest income reflecting a \$381MM gain from the private student loan sale and higher net interest income
- Provision for credit losses decreased by \$707MM reflecting an \$807MM favorable reserve change, partially offset by a \$93MM increase in net charge-offs
- Expenses increased \$67MM, or 4%, from higher employee compensation, higher professional fees, and higher information processing

Note(s)
Throughout this document, historical financial results have been restated / adjusted as disclosed in the Form 8-K dated December 23, 2024

NIM on Loans



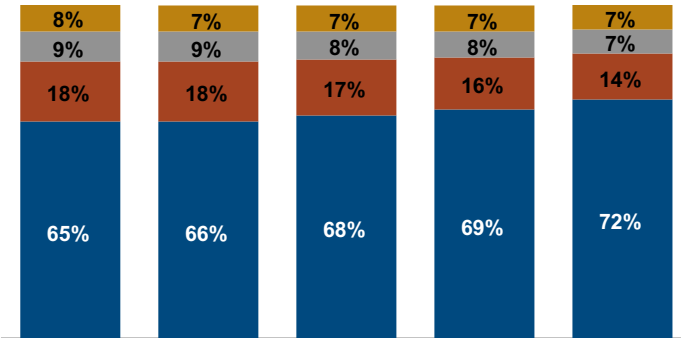
Total Loan Growth (\$Bn)



- Card +1% YOY
- Personal +5% YOY
- Other + 35% YOY
- Student

	4Q23	1Q24	2Q24	3Q24	4Q24
Total Loan Yield	14.61%	14.71%	14.85%	15.06%	15.37%

Funding Mix (%), Average Balance



- DTC and Affinity Deposits⁽¹⁾
- Brokered & Other Deposits
- Securitized Borrowing
- Unsecured Borrowing

	4Q23	1Q24	2Q24	3Q24	4Q24
Net Funding Rate ⁽²⁾	3.63%	3.68%	3.68%	3.67%	3.41%

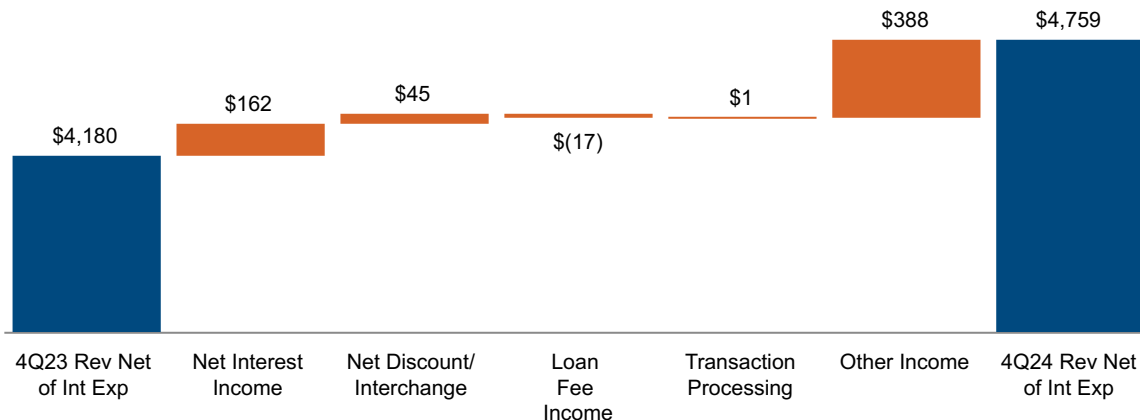
Note(s)

1. Includes checking and reflects both interest-bearing and non-interest bearing consumer deposits
2. Net Funding Rate reflects interest expense, net of interest income from other interest-earning assets, as a percentage of average receivables

Key Points

- NIM on loans was 11.96%, up 58bps QOQ primarily driven by product mix and the investment of student loan sale proceeds
- Total loan yield was up 31bps QOQ due to a favorable loan mix from the loan sale and lower card promotional balances
- The net funding rate was down 26bps QOQ driven by lower average funding costs
- Average consumer deposits were up 2% QOQ and up 10% YOY

Year-Over-Year Revenue (\$MM)



Key Points

- Net interest income increased driven by margin expansion
- Net discount / interchange revenue was up 13% from increased CashBack Debit volume and lower rewards
- Loan fee income was down due to fewer instances
- Other income increased reflecting a \$381MM gain from the loan sale
- The rewards rate was down 2bps YOY due to lower Cashback Match, mostly offset by higher spend in the 5% category
4Q24 Amazon, Target
4Q23 Amazon, Target

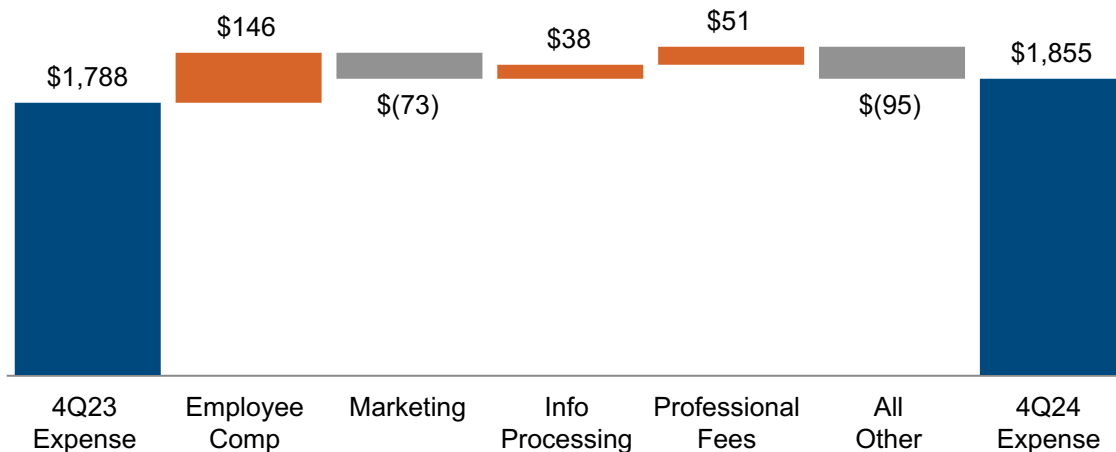
(\$MM)	4Q24	4Q23	Inc / (Dec)	
			\$	%
Net Interest Income	3,630	3,468	162	5%
Net Discount/Interchange Revenue	399	354	45	13%
Protection Products Revenue	43	43	—	—%
Loan Fee Income	200	217	(17)	(8%)
Transaction Processing Revenue	83	82	1	1%
Other Income	404	16	388	NM
Total Non-Interest Income	1,129	712	417	59%
Revenue Net of Interest Expense	\$4,759	\$4,180	\$579	14%

	4Q24	4Q23	Change	
			QOQ	YOY
Discover Card Sales Volume (\$MM)	\$55,252	\$57,145	4 %	(3%)
Rewards Rate ⁽¹⁾	1.35 %	1.37 %	(9) bps	(2) bps

Note(s)

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

Year-Over-Year Expense (\$MM)



(\$MM)	4Q24	4Q23	Inc / (Dec)	
			\$	%
Employee Compensation and Benefits	\$792	\$646	146	23%
Marketing and Business Development	299	372	(73)	(20%)
Information Processing & Communications	208	170	38	22%
Professional Fees	363	312	51	16%
Premises and Equipment	25	25	—	—%
Other Expense	168	263	(95)	(36%)
Total Operating Expense	\$1,855	\$1,788	\$67	4%
Operating Efficiency⁽¹⁾	39.0 %	42.8 %	(380) bps	

Note(s)

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

Key Points

- Employee compensation increased due to higher wage & benefits rates, and retention actions
- Marketing was lower reflecting higher 4Q23 spend from timing of broad market advertising
- Information processing increased driven by technology investments and a \$22MM student loan infrastructure write-off
- Professional fees were up largely from \$44MM of merger & integration and loan sale costs
- Other expense fell as a result of 4Q23 customer remediation

	4Q23	3Q24	4Q24	Change	
				QOQ	YOY
Credit Card Loans					
Ending Loan Balance (\$MM)	\$102,259	\$100,489	\$102,786	2%	1%
Net Principal Charge-off Rate	4.68%	5.28%	5.03%	(25) bps	35 bps
30-Day Delinquency Rate	3.87%	3.84%	3.84%	0 bps	(3) bps
Personal Loans					
Ending Loan Balance (\$MM)	\$9,852	\$10,438	\$10,314	(1)%	5%
Net Principal Charge-off Rate	3.39%	4.01%	4.24%	23 bps	85 bps
30-Day Delinquency Rate	1.45%	1.66%	1.69%	3 bps	24 bps
Total Loans					
Ending Loan Balance (\$MM) ⁽¹⁾	\$128,409	\$126,993	\$121,118	(5)%	(6)%
Net Principal Charge-off Rate ⁽²⁾	4.11%	4.86%	4.64%	(22) bps	53 bps
30-Day Delinquency Rate ⁽²⁾	3.45%	3.46%	3.48%	2 bps	3 bps

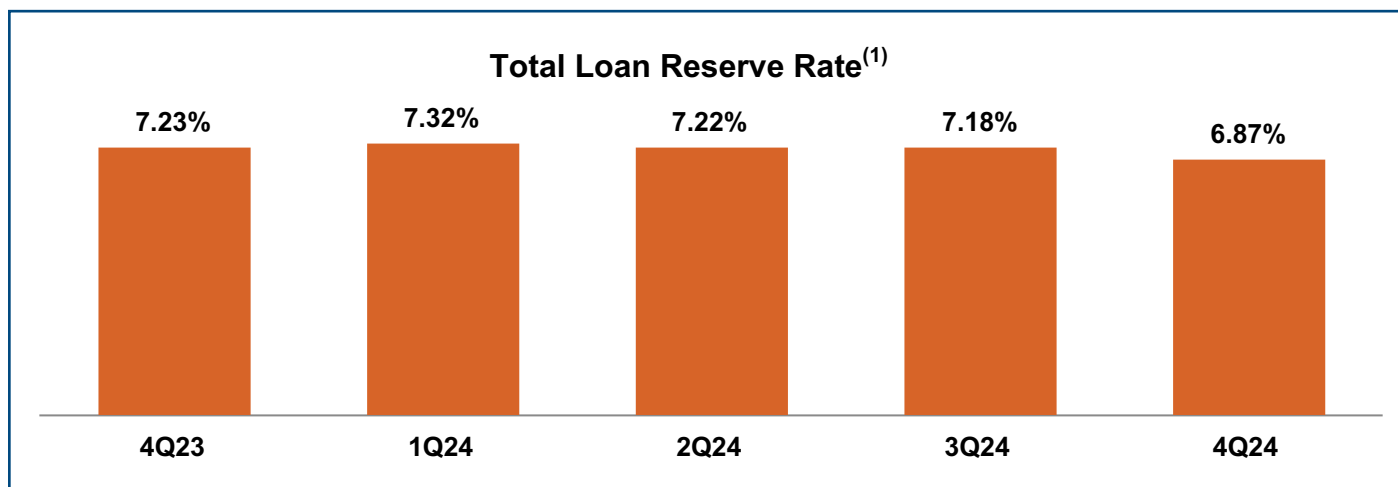
Key Points

- Credit card net charge-offs improved; delinquencies were stable
- Personal loan net charge-off and delinquency rates increased reflecting continued seasoning of recent growth in loan balances
- Total Loan net-charge-offs were slightly better than expectations

Note(s)

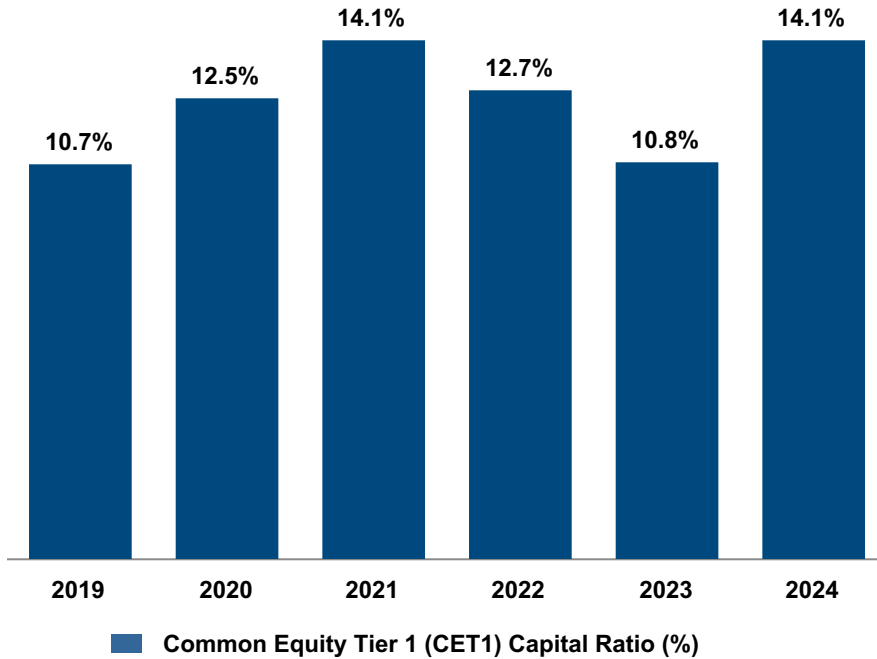
1. Total Loans includes private student loans, home equity and other loans; the student loan sale was completed in 4Q24
2. Excludes loans classified as held-for-sale as of June 30, 2024

(\$MM)	Credit Card	Personal Loans	Other	Total Allowance
Balance at September 30, 2024	\$7,586	\$798	\$128	\$8,512
<i>Reserve rate</i>	7.55%	7.65%	N/A	7.18%
Provision for credit losses	1,095	93	14	1,202
Net Charge-offs	1,278	111	2	1,391
Balance at December 31, 2024	\$7,403	\$780	\$140	\$8,323
<i>Reserve rate</i>	7.20%	7.56%	N/A	6.87%

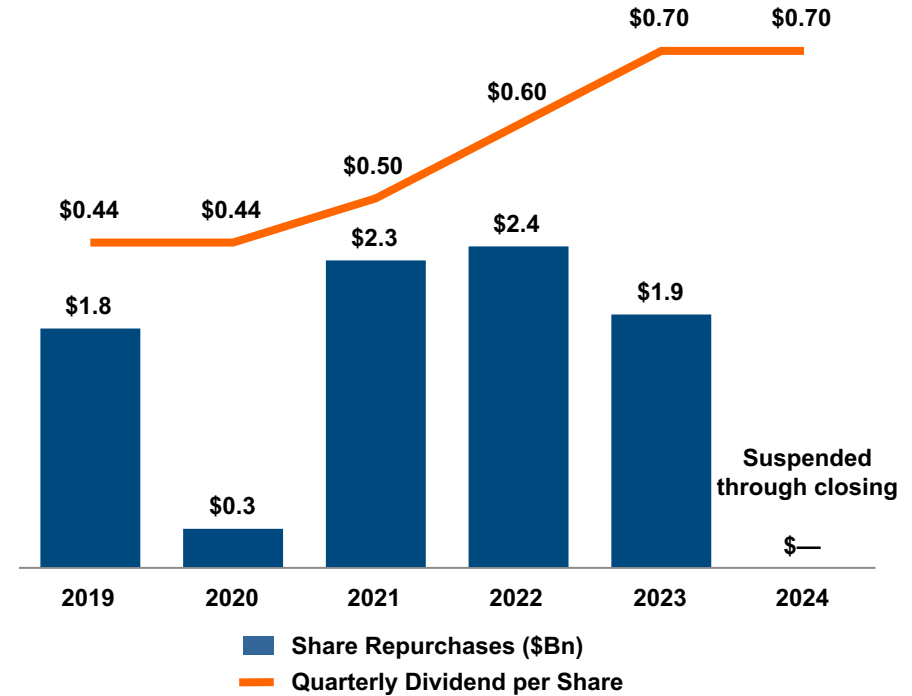
**Note(s)**

1. Includes an adjustment to eliminate the allowance for credit losses upon classifying the private student loan portfolio as held-for-sale as of June 30, 2024

Capital Position⁽¹⁾⁽²⁾



Capital Return⁽³⁾



Key Points

- The Common Equity Tier 1 ratio of 14.1% increased due the student loan sale and core earnings generation
- Declared quarterly cash dividend of \$0.70 per share of common stock
- Share repurchases have been suspended through merger closing and common dividends will not exceed \$0.70 per share

Note(s)

1. Capital for years ended 2023 and prior have been restated for comparative purposes to reflect corrections to those periods related to the card product misclassification on the financial statements; years 2019-2021 reflect a best estimate
2. Based on the final rule published September 30, 2020. Capital ratios reflect the impact of CECL reserves on regulatory capital with transition impacts
3. Quarterly dividend per share figures for 2019 through 2024 represent year-end levels

	3Q24 Outlook	2024 Actual	2025 Trend
Loan Growth	<ul style="list-style-type: none"> Down low to mid single digits 	(5.7%) ✓	<ul style="list-style-type: none"> Loan growth to align more closely with pre-pandemic norms
Net Interest Margin	<ul style="list-style-type: none"> 11.2-11.4% 	11.38% ✓	<ul style="list-style-type: none"> Net interest margin to remain relatively consistent with the 4Q24 level
Operating Expense	<ul style="list-style-type: none"> Up mid single digits excluding card misclassification and merger related costs 	4.6% ✓	<ul style="list-style-type: none"> No significant changes to our expense base prior to merger approval
Net Charge-offs	<ul style="list-style-type: none"> 4.9-5.0% 	4.81% ✓	<ul style="list-style-type: none"> Beginning to see a downward trend
Capital Management	<ul style="list-style-type: none"> Share repurchases suspended through merger closing; dividend not to exceed \$0.70 per share 		

Note(s)

Operating Expense reflects \$6.9Bn of total 2024 operating expense less \$118 million of merger and integration costs and \$386 million of card misclassification costs which includes the accrual for potential regulatory penalties of approximately \$290 million

Appendix

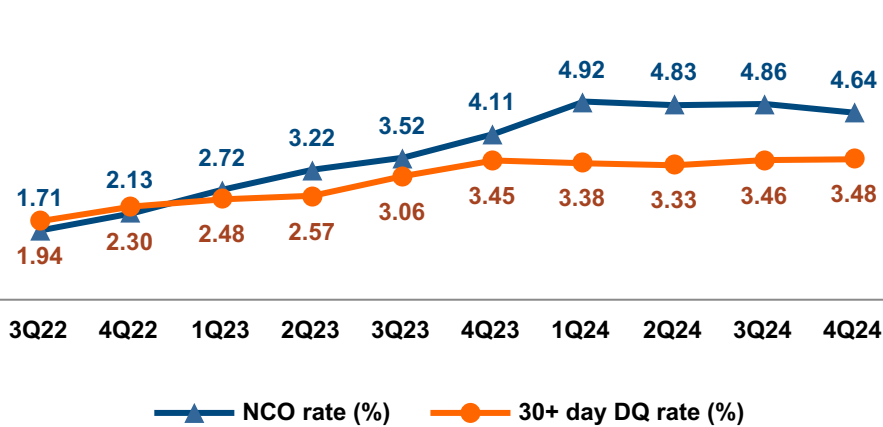
Interest-Earning Assets (\$Bn)	4Q24		3Q24		4Q23	
	Avg Bal	Yield	Avg Bal	Yield	Avg Bal	Yield
Total Loans	\$120.8	15.37 %	\$127.7	15.06 %	\$125.4	14.61 %
Other Interest-Earning Assets	30.1	4.26 %	24.7	4.49 %	22.5	4.41 %
Total Interest-Earning Assets	\$150.9	13.15 %	\$152.4	13.35 %	\$147.9	13.05 %

Interest-Bearing Liabilities (\$Bn)	4Q24		3Q24		4Q23	
	Avg Bal	Rate	Avg Bal	Rate	Avg Bal	Rate
Direct to Consumer Deposits ^{(1) (2)}	\$89.2	4.19 %	\$87.1	4.40 %	\$81.3	4.35 %
Brokered Deposits and Other	17.5	4.76 %	20.2	4.95 %	23.3	4.64 %
Interest Bearing-Deposits	106.7	4.29 %	107.3	4.50 %	104.5	4.41 %
Borrowings	17.0	4.90 %	19.4	5.02 %	20.3	4.62 %
Total Interest-Bearing Liabilities	\$123.7	4.37 %	\$126.7	4.58 %	\$124.8	4.45 %

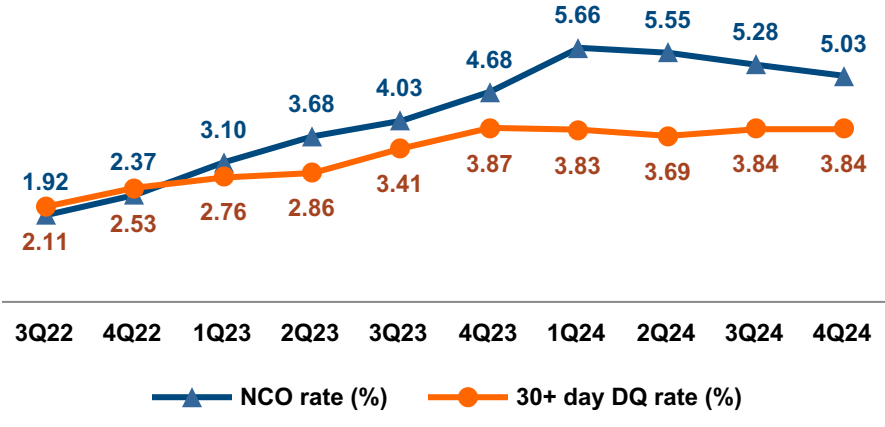
Note(s)

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

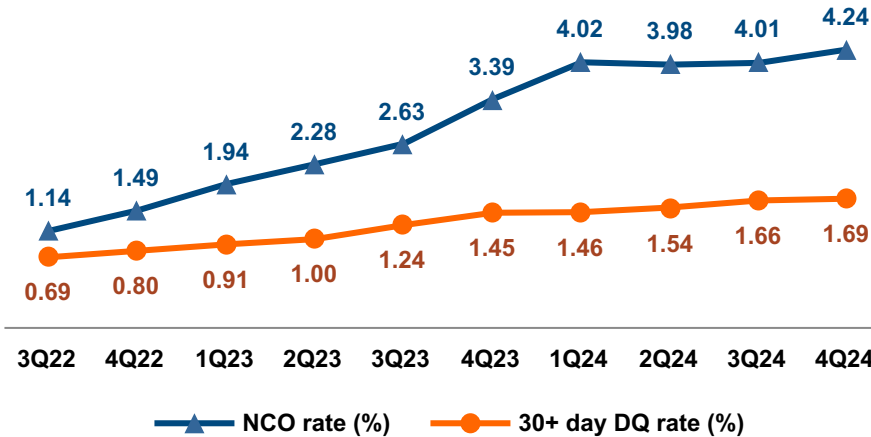
Total Company Loans⁽¹⁾



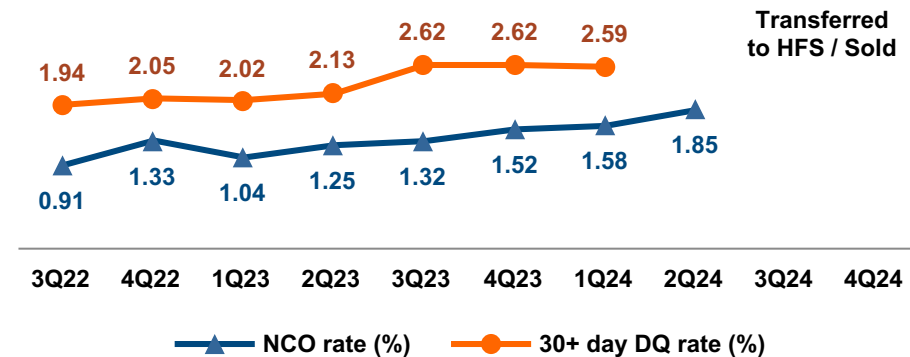
Credit Card Loans



Personal Loans

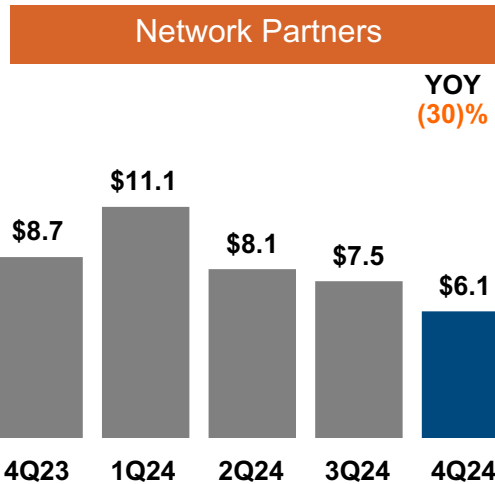
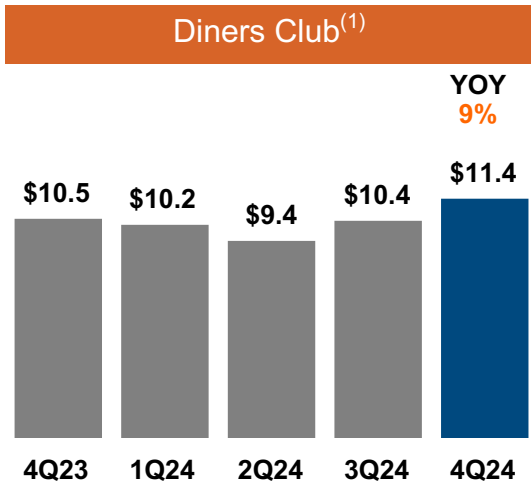
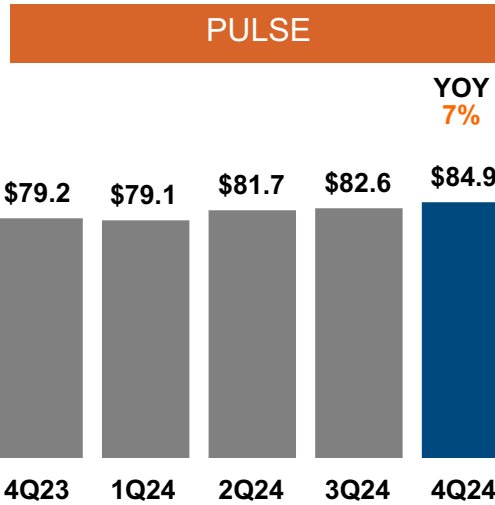
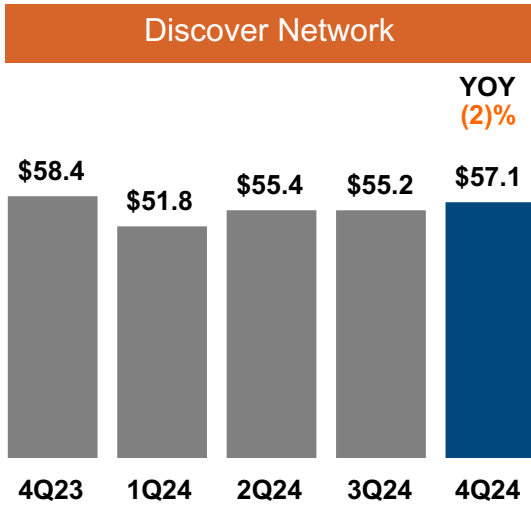


Private Student Loans⁽¹⁾



Note(s)

1. Excludes loans classified as held-for-sale as of June 30, 2024, and subsequently sold during the third and fourth quarters of 2024



Total Network Volume up 2% YOY

Key Points

- Discover Network volume was down 2% reflecting a slowdown in Discover card sales
- PULSE volume was up 7% driven by an increase in debit transaction volume
- Diners Club volume was up 9% YOY due to growth in Israel and the Asia Pacific region
- Network Partners was down 30% YOY from lower AribaPay volume

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

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