

Discover Financial Services
Form 424B5
February 06, 2017
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Registration No. 333-205280

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion

Preliminary Prospectus Supplement dated February 6, 2017

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 26, 2015)

\$

% Senior Notes due

We are offering \$ million aggregate principal amount of % Notes due . We will pay interest on the notes on and of each year, beginning , 2017. The notes will mature on , . We may redeem the notes at any time on or after , (months prior to the maturity date of the notes), in whole or in part, at the redemption price described in Description of the Notes Optional Redemption by Us beginning on page S-12 of this prospectus supplement.

The notes will be our senior unsecured obligations and will rank equally in right of payment with our other existing and future senior unsecured indebtedness. The notes will be effectively subordinated to our existing and future secured indebtedness to the extent of the assets securing that indebtedness and will be structurally subordinated to all existing and future obligations of our subsidiaries. The notes will be issued only in registered form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Investing in the notes involves risks that are described in the Risk Factors section beginning on page S-5 of this prospectus supplement, in addition to the risk factors that are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Per Note	Total
Public offering price (1)	%	\$
Underwriting discount	%	\$
Proceeds, before expenses, to us (1)	%	\$

(1) Plus accrued interest from _____, 2017, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes are not savings accounts, deposits or other obligations of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality.

We do not intend to list the notes on any securities exchange or include the notes in any automated quotation system. Currently, there is no public market for the notes.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank SA/NV and Clearstream Banking, S.A., on or about _____, 2017.

Joint Book-Running Managers

Barclays

BofA Merrill Lynch

Citigroup

Deutsche Bank Securities

The date of this prospectus supplement is _____, 2017.

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About this Prospectus Supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which does not apply to this offering.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus or any free writing prospectus filed with the Securities and Exchange Commission, or SEC. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. This document may only be used where it is legal to sell these securities. We are not, and the underwriters are not, making an offer of these securities in any state or jurisdiction where the offer is not permitted. You should assume that the information in this prospectus supplement, the accompanying prospectus or any free writing prospectus filed with the SEC is accurate only as of their respective dates. You should assume that any information incorporated by reference into this prospectus supplement or the accompanying prospectus is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context requires otherwise, each reference in this prospectus supplement to we, us, our, Discover, DFS, the Company means Discover Financial Services and its consolidated subsidiaries and each reference to Discover Bank means Discover Bank.

You should not consider any information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding the purchase of the notes. We are not making any representation to you regarding the legality of an investment in the notes by you under applicable investment or similar laws.

You should read and consider all information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus before making your investment decision.

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Summary

The following summary includes basic information about our company and this offering. It may not contain all of the information that is important to you. For a more complete understanding of our company and this offering, we encourage you to read this entire prospectus supplement and the accompanying prospectus carefully, including the documents incorporated by reference herein and therein.

Discover Financial Services

Discover Financial Services (DFS) is a direct banking and payment services company. DFS is a bank holding company under the Bank Holding Company Act of 1956 as well as a financial holding company under the Gramm-Leach-Bliley Act and therefore is subject to oversight, regulation and examination by the Board of Governors of the Federal Reserve System. DFS provides direct banking products and services and payment services through its subsidiaries. DFS offers its customers credit card loans, private student loans, personal loans, home equity loans and deposit products. DFS had \$77 billion in loan receivables and \$36 billion in deposits issued through direct-to-consumer channels and affinity relationships at December 31, 2016. DFS also operates the Discover Network, the PULSE network (PULSE) and Diners Club International (Diners Club). The Discover Network processes transactions for Discover-branded credit cards and provides payment transaction processing and settlement services. PULSE operates an electronic funds transfer network, providing financial institutions issuing debit cards on the PULSE network with access to ATMs domestically and internationally, as well as point-of-sale terminals at retail locations throughout the U.S. for debit card transactions. Diners Club is a global payments network of licensees, which are generally financial institutions, that issue Diners Club branded charge cards and/or provide card acceptance services.

DFS manages its business activities in two segments: Direct Banking and Payment Services. DFS Direct Banking segment includes Discover-branded credit cards issued to individuals on the Discover Network and other consumer products and services, including private student loans, personal loans, home equity loans, and other consumer lending and deposit products. DFS Payment Services segment includes PULSE, Diners Club, and its Network Partners business, which provides payment transaction processing and settlement services on the Discover Network.

DFS was incorporated in Delaware in 1960. DFS principal executive offices are located at 2500 Lake Cook Road, Riverwoods, Illinois 60015. DFS main telephone number is (224) 405-0900.

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The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus. For more information concerning the notes, see Description of the Notes.

Issuer	Discover Financial Services.
Notes Offered	\$ _____ aggregate principal amount of _____ % Senior Notes due _____ .
Maturity Date	The notes will mature on _____ , _____ .
Interest Payment Dates	The notes will bear interest at the rate of _____ % per year from the original issuance date. We will pay interest on the notes semi-annually in arrears each _____ and _____ . We will make the first interest payment on _____ , 2017.
Use of Proceeds	We estimate that our net proceeds from this offering will be approximately \$ _____ million (after deducting underwriting discounts and commissions and estimated offering expenses). We intend to use the net proceeds from this offering for general corporate purposes. For more information, see Use of Proceeds in this prospectus supplement.
Ranking	<p>The notes will be our senior unsecured obligations. They will rank equally in right of payment with our existing and future senior unsecured indebtedness. The notes will be effectively subordinated to any of our existing and future secured debt, to the extent of the value of the collateral securing such debt, and will be structurally subordinated to all existing and future obligations of our subsidiaries. See Description of the Notes Ranking in this prospectus supplement.</p> <p>As of September 30, 2016, at the parent holding company level, DFS had \$2.2 billion of senior indebtedness, without giving effect to this offering, and no secured indebtedness. As of September 30, 2016, excluding intercompany amounts, our subsidiaries had \$76.6 billion of total indebtedness and other liabilities, including deposits.</p>

Optional Redemption

We may redeem the notes at any time on or after _____, (_____ months prior to the maturity date of the notes), in whole or in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to the redemption date. See Description of the Notes Optional Redemption by Us in this prospectus supplement.

Future Issuances

We may from time to time, without notice to or consent of the holders of the notes, issue additional notes with the same terms as the notes, (except for the issue date and, in some cases, the public offering price and the first interest payment date) and such additional notes shall be consolidated with the notes issued in this offering and form a single series.

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Covenants	There are no covenants or other provisions in the indenture that would afford holders of notes additional protection in the event of a recapitalization transaction, a change of control of our company or a highly leveraged transaction. See Description of Debt Securities Certain Covenants Restrictions on Consolidations, Mergers and Sales of Assets in the accompanying prospectus. In addition, the indenture includes a restriction on our ability to secure indebtedness with the voting stock of Discover Bank or any subsidiary succeeding to any substantial part of the business now conducted by Discover Bank. See Description of Debt Securities Certain Covenants Negative Pledge in the accompanying prospectus.
Sinking Fund	None.
Denominations	The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.
Form of Note	We will issue the notes in the form of one or more fully registered global notes registered in the name of the nominee of The Depository Trust Company (DTC). Beneficial interests in the notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Clearstream Banking, S.A. (Clearstream) and Euroclear Bank, SA/NV (Euroclear) will hold interests on behalf of their participants through their respective U.S. depositories, which in turn will hold such interests in accounts as participants of DTC. Except in the limited circumstances described in this prospectus supplement, owners of beneficial interests in the notes will not be entitled to have notes registered in their names, will not receive or be entitled to receive notes in definitive form and will not be considered holders of notes under the indenture. See Description of the Notes Book Entry, Delivery and Form .
Trustee	U.S. Bank National Association.
U.S. Federal Income Tax Consequences	You should consult with your tax advisor with respect to the U.S. federal income tax considerations of the acquisition, ownership and disposition of the notes in light of your own particular situation and with respect to any tax considerations arising under the laws of any state, local, foreign or other taxing jurisdiction. See Material United States Federal Income Tax Consequences .
Governing Law	The laws of the State of New York govern the indenture and the notes.

Listing

We do not intend to list the notes on any exchange or to include the notes in any automated quotation system.

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Investing in the notes involves risks. You should consider carefully the risks described below and all of the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus before deciding whether to purchase the notes. In addition, you should carefully consider, among other things, the matters discussed under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Special Note Regarding Forward-Looking Statements. The trading price of the notes may also be affected by the effects of these risks, macroeconomic trends and our financial results, as well as differences between our actual results and expectations.

Your decision to purchase the notes should be made only after carefully considering the suitability of the investment for you, in consultation with your own financial, legal, tax and other professional advisors. The notes are not an appropriate investment for you if you are not knowledgeable about the significant features of the notes or financial matters in general.

We are a holding company that conducts all of our business through subsidiaries. The debt and other liabilities of our subsidiaries will be effectively senior to the notes.

We conduct all of our business through our subsidiaries including Discover Bank, which represented 99% of our assets as of December 31, 2016. Our cash flow and, consequently, our ability to pay interest in cash and to service our debt, including the notes, are dependent to a certain extent upon the cash flow of our subsidiaries and the payment of funds to us by those subsidiaries in the form of loans, dividends or otherwise. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the notes or to make cash available for that purpose. In addition, Discover Bank and many of our operating subsidiaries are highly regulated and may be subject to restrictions on their ability to pay dividends to us. These subsidiaries may use the earnings they generate, as well as their existing assets, to fulfill their own direct debt service requirements.

The notes will be our senior unsecured obligations and will rank equally with all of our existing and future senior unsecured indebtedness. To the extent that any of our subsidiaries have outstanding indebtedness, the notes will effectively rank junior to such indebtedness and other liabilities, including deposits. As of September 30, 2016, excluding intercompany amounts, our subsidiaries had \$76.6 billion of total indebtedness and other liabilities, including deposits. See Description of the Notes Ranking in this prospectus supplement.

The notes will be effectively subordinated to all of our existing and future secured debt and to the existing and future secured debt of our subsidiaries.

The notes are not secured by any of our assets or the assets of our subsidiaries. As a result, the indebtedness represented by the notes will effectively be subordinated to any secured indebtedness we or our subsidiaries may incur, to the extent of the value of the assets securing such indebtedness. As of September 30, 2016, we had no secured indebtedness and our subsidiaries had \$17.8 billion of long-term secured indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding up, liquidation or reorganization, or other bankruptcy proceeding, any secured creditors would have a superior claim to the extent of their collateral. In the event of the dissolution, a winding up, liquidation or reorganization, or other bankruptcy proceeding of a subsidiary, creditors of that subsidiary would generally have the right to be paid in full before any distribution is made to us or the holders of the notes. If any of the foregoing occur, we cannot assure you that there will be sufficient assets to pay

amounts due on the notes.

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There are no covenants in the indenture governing the notes relating to our ability to incur future indebtedness or pay dividends and limited restrictions on our ability to engage in other activities, which could adversely affect our ability to pay our obligations under the notes.

The indenture governing the notes does not contain any financial covenants. The indenture permits us and our subsidiaries to incur additional debt, including secured debt. Because the notes will be unsecured, in the event of any liquidation, dissolution, reorganization, bankruptcy or other similar proceeding regarding us, whether voluntary or involuntary, the holders of our secured debt will be entitled to receive payment to the extent of the assets securing that debt before we can make any payment with respect to the notes. If any of the foregoing events occurs, we cannot assure you that we will have sufficient assets to pay amounts due on our debt and the notes. As a result, you may receive less than you are entitled to receive or recover nothing if any liquidation, dissolution, reorganization, bankruptcy or other similar proceeding occurs.

The indenture does not limit our subsidiaries' ability to issue or repurchase securities, pay dividends or engage in transactions with affiliates. Our ability to use our funds for numerous purposes may limit the funds available to pay our obligations under the notes.

There may not be a public market for the notes and an active trading market for the notes may not develop.

The notes constitute a new issue of securities with no established trading market. We do not currently intend to apply for listing of the notes on any securities exchange or to include the notes in any automated quotation system. We have been advised by the underwriters that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. Accordingly, no liquid market for the notes may develop, and any market that develops may not last. If the notes are traded, they may trade at a discount from their offering price, depending on prevailing interest rates, the market for similar securities, our performance and other factors. To the extent that an active trading market does not develop, you may not be able to resell your notes at their fair market value or at all.

Interest rate risks may affect the value of the notes.

An investment in fixed-rate notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate notes.

The notes will initially be rated below investment grade by one rating agency.

We are currently rated below investment grade by Moody's Investor Services (Moody's), and the notes will initially be rated below investment grade by Moody's. Our credit rating and the credit rating of the notes is investment grade by both Standard & Poor's and Fitch Ratings. There is no assurance that our credit rating, or the credit rating of the notes, will be upgraded or, in the case of Moody's, become investment grade in the future. Consequently, the notes may be subject to a higher risk of price volatility than similar, higher-rated securities, particularly in volatile markets. Additionally, any real or anticipated changes in the credit ratings assigned to the notes, or to our credit ratings generally, could adversely affect the trading price of the notes.

Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. Further, a rating is not a recommendation to purchase, sell or hold any particular security, including the notes. In addition, ratings do not reflect market prices or suitability of a security for a particular investor, and any rating of the notes may not reflect all risks related to our business, or the structure or market value of the notes.

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Special Note Regarding Forward-Looking Statements

This prospectus supplement, the accompanying prospectus and the documents that we incorporate by reference into this prospectus supplement and the accompanying prospectus contain or will contain certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as expects, anticipates, believes, estimates and other similar expressions or future or conditional verbs such as will, should, would and could are intended to identify such forward-looking statements. You should not rely solely on the forward-looking statements, which are qualified in their entirety by reference to, and are accompanied by, the important factors described in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC on February 24, 2016, as amended by Amendment No. 1 on Form 10-K/A, as filed with the SEC on February 26, 2016, including under the headings Risk Factors and Special Note Regarding Forward-Looking Statements. You should consider all uncertainties and risks contained in or incorporated by reference into this prospectus supplement and accompanying prospectus. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following:

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 financial regulatory reform, consumer financial services practices, anti-corruption and funding, capital and liquidity;

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 and grow our card, private student loan and personal loan products;

our ability to increase or sustain Discover card usage or attract new customers;

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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;

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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 key systems;

our ability to remain organizationally effective;

the effect of political, economic and market conditions, geopolitical events and unforeseen or catastrophic events;

our ability to introduce new products or services;

our ability to manage our relationships with third-party vendors;

our ability to maintain current technology and integrate new and acquired systems;

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; and

new lawsuits, investigations or similar matters or unanticipated developments related to current matters.

In addition, we routinely evaluate and may pursue acquisitions of or investments in businesses, products, technologies, loan portfolios or deposits, which may involve payment in cash or our debt or equity securities.

The foregoing review of important factors should not be construed as exclusive and should be read in conjunction with the other cautionary statements that are included in or incorporated by reference into this prospectus supplement and the accompanying prospectus. These factors expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf. New factors emerge from time to time, and it is not possible for us to predict all of such factors, nor can we assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those

contained in any forward-looking statements.

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We estimate that our net proceeds from this offering will be approximately \$ million (after deducting underwriting discounts and commissions and estimated offering expenses). We intend to use the net proceeds from this offering for general corporate purposes.

Ratio of Earnings to Fixed Charges

The following table sets forth our consolidated ratio of earnings to fixed charges for the periods indicated.

		Calendar Years Ended December 31,			Fiscal Year Ended
	2016	2015	2014	2013	November 30, 2012
Ratio of earnings to fixed charges	3.6	3.9	4.3	4.4	3.8

Table of Contents**Capitalization**

The following table sets forth our unaudited capitalization as of September 30, 2016 on an actual basis and on an adjusted basis to reflect the issuance and sale of the notes, after deducting the underwriting discounts and commissions and before estimated offering expenses.

You should read this table in conjunction with our historical consolidated financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2016, June 30, 2016 and September 30, 2016 and in the other documents incorporated by reference into this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information and Documents Incorporated by Reference in the accompanying prospectus.

September 30, 2016

(Unaudited, dollars in millions, except per share amounts)	Actual	As adjusted
Deposits:		
Interest bearing deposit accounts	\$ 48,785	\$ 48,785
Non-interest bearing deposit accounts	460	460
Total deposits	49,245	49,245
Notes offered hereby		
Long-term borrowings	26,830	26,830
Accrued expenses and other liabilities	3,119	3,119
Total liabilities	\$ 79,194	\$
Stockholders' Equity:		
Preferred Stock, par value \$0.01 per share; 200,000,000 shares authorized; 575,000 issued and outstanding and aggregate liquidation preference of \$575	\$ 560	\$ 560
Common Stock, par value \$0.01 per share; 2,000,000,000 shares authorized; 562,391,470 shares issued	5	5
Additional paid-in capital	3,946	3,946
Retained earnings	14,696	14,696
Accumulated other comprehensive income	(165)	(165)
Treasury Stock, at cost; 165,954,687 shares	(7,695)	(7,695)
Total stockholders' equity	11,347	11,347
Total liabilities and stockholders' equity	\$ 90,541	\$

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Description of the Notes

The following summary sets forth certain terms and provisions of the notes and the Indenture (as defined herein), does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the terms and provisions of the notes and the Indenture, including the definitions therein, copies of which are available for inspection at the office of the Trustee (as defined herein) at 100 Wall Street, Suite 1600, New York, New York 10005. A copy of the Indenture has also been filed as an exhibit to the registration statement of which this prospectus supplement is a part, and is incorporated herein by reference. Capitalized terms not otherwise defined herein shall have the meanings given to them in the notes and in the Indenture. Because the following is only a summary, it does not contain all of the information that you may find useful in evaluating an investment in the notes. We urge you to read the Indenture and the notes because they, and not this description, define your rights as holders of the notes.

The following discussion of the terms of the notes supplements the description of the general terms and provisions of the debt securities contained in the accompanying prospectus. You should read the accompanying prospectus and this prospectus supplement together for a more complete description of the Indenture and the notes. To the extent this summary differs from the summary in the accompanying prospectus, you should rely on the description of the notes in this prospectus supplement.

General

We will issue the notes under the senior indenture, dated June 12, 2007, between us and U.S. Bank National Association, as trustee (the Trustee). We refer to the indenture, as supplemented by or pursuant to the officer's certificate establishing the terms of the notes pursuant to Section 2.03 of the Indenture, as the Indenture.

Certain defined terms used in this Description of the notes but not defined have the meanings assigned to them in the notes and in the Indenture. In this section, we, us, our and similar words refer to Discover Financial Services and not any of our subsidiaries.

The Indenture is by its terms subject to and governed by the Trust Indenture Act of 1939, as amended. You may obtain a copy of the Indenture and the form of the notes from us upon request, as set forth under Where You Can Find Additional Information in the accompanying prospectus.

The Notes

Notes in an initial aggregate principal amount of \$ will be issued in this offering. The aggregate principal amount of debt securities issuable under the Indenture is unlimited. We may from time to time, without notice to or consent of the holders of the notes, issue additional notes with the same terms as the notes (except for the issue date and, in some cases, the public offering price and the first interest payment date) and such additional notes shall be consolidated with the notes issued in this offering and form a single series. The notes to be issued in this offering will form their own series of notes for voting purposes and will not be part of the same class or series of any other notes previously issued by us. References herein to the notes shall include the notes and any further notes issued as described in this paragraph. We may purchase notes at any price in the open market or otherwise. Notes so purchased by us may, at our discretion, be held or resold or surrendered to the Trustee for cancellation.

The notes do not have the benefit of a sinking fund.

The notes will be issued only in fully registered form, without interest coupons, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The notes will be issued in the form of one or more global notes

deposited with a custodian for and registered in the name of a nominee of DTC, but in certain circumstances, may be represented by notes in certificated form. The notes are not issuable in bearer form.

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Interest

The notes will bear interest at % per annum computed on the basis of a year of 360 days consisting of twelve 30-day months. The notes will accrue interest on their stated principal amount from and including , 2017, or from the most recent interest payment date to which interest has been paid or duly provided for. Accrued and unpaid interest on the notes will be payable semi-annually in arrears on and of each year, commencing on , 2017. We will pay interest to the persons in whose names the notes are registered at the close of business on the and immediately preceding each interest payment date (whether or not a business day).

If any date on which interest, principal or premium is payable on the notes is not a business day, then payment of such amounts payable on such date will be made on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on such interest payment date, redemption date or maturity date, as the case may be.

Ranking

The notes:

will be our general unsecured obligations;

will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the assets securing such indebtedness;

will be structurally subordinated to the existing and future claims of creditors of our subsidiaries;

will rank equally in right of payment with our existing and future unsecured and unsubordinated indebtedness; and

will be senior in right of payment to any of our existing and future subordinated indebtedness.

None of our subsidiaries will guarantee the notes. As noted above, the notes will be structurally subordinated to all of our subsidiaries existing and future obligations. See Risks Factors We are a holding company that conducts all of our business through subsidiaries. The debt and other liabilities of our subsidiaries will be effectively senior to the notes. As of September 30, 2016, at the parent holding company level, Discover Financial Services had \$2.2 billion of senior indebtedness, without giving effect to this offering, and no secured indebtedness. As of September 30, 2016, excluding intercompany amounts, our subsidiaries had \$76.6 billion of total indebtedness and other liabilities, including deposits.

Maturity

Unless earlier redeemed or repurchased, the notes will mature and be payable at par on , .

Optional Redemption by Us

We may, at our option, at any time on or after _____, (_____ months prior to the maturity date), redeem the notes in whole or in part on no less than 10 nor more than 60 days _____ prior notice delivered to the holders of the notes. The notes will be redeemable at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. If fewer than all of the notes are to be redeemed, the Trustee will select the notes for redemption on a pro rata basis, by lot or by such other method in accordance with DTC's procedures. The notes will be redeemed in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. If any notes are to be redeemed in part only, the notice of redemption that relates to such notes will state the portion of such notes to be redeemed. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the notes or the portions of the notes called for redemption.

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Payment and Transfer

Principal of, premium (if any) and interest on the notes will be payable, and the notes may be exchanged or transferred, at the office or agency maintained by us for such purpose (which initially will be the corporate trust office of the Trustee). Payment of principal of, premium (if any) and interest on notes in global form will be made in immediately available funds to DTC's nominee as the registered holder of such global notes. If the notes are no longer represented by global notes, payment of interest on the notes in certificated form may, at our option, be made by check mailed directly to holders at their registered addresses.

So long as the notes are represented by one or more global notes, transfers of beneficial interests in such global notes will be effected under DTC's procedures and will be settled in same-day funds. If the notes are no longer represented by global notes, a holder may transfer or exchange notes in certificated form at the same location given in the preceding paragraph. We are not required to transfer or exchange any note selected for redemption or for a period of 15 days before a selection of notes to be redeemed.

The registered holder of a note will be treated as the owner of it for all purposes. We will not be required to:

register the transfer of or exchange any note if the holder has exercised the holder's right, if any, to require us to repurchase the note, in whole or in part, except the portion of the note not required to be repurchased;

register the transfer of or exchange notes to be redeemed for a period of fifteen calendar days preceding the mailing of the relevant notice of redemption; or

register the transfer of or exchange any registered note selected for redemption in whole or in part, except the unredeemed or unpaid portion of that registered note being redeemed in part.

No service charge will be made for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the registration of transfer or exchange of notes.

DTC or DTC's nominee will be the holder of the notes and therefore will be the only entity that can exercise a right to repayment. In order to ensure that DTC's nominee will timely exercise a right to repayment with respect to a particular note, the beneficial owner of the note must instruct the broker or other direct or indirect participant through which it holds an interest in the note to notify DTC of its desire to exercise a right to repayment. Different firms have different cut-off times for accepting instructions from their customers and, accordingly, each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in a note in order to ascertain the cut-off time by which an instruction must be given in order for timely notice to be delivered to DTC.

Book-entry, Delivery and Form

Except as set forth below, the notes will be issued in fully registered, global form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Notes initially will be represented by one or more notes in registered global form without interest coupons (the "Global Notes"). The Global Notes will be deposited with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC, for the accounts of participants in

DTC. Unless and until exchanged, in whole or in part, for notes in definitive registered form, a Global Note may not be transferred except as a whole by the depositary for such Global Note to a nominee of such depositary, by a nominee of such depositary to such depositary or another nominee of such depositary or by such depositary or any such nominee to a successor of such depositary or a nominee of such successor.

Ownership of beneficial interests in a Global Note will be limited to persons, called participants, that have accounts with the depositary (currently DTC) or persons that may hold interests through participants in

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DTC. Investors may hold their interests in a Global Note directly through Euroclear and Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in a Global Note on behalf of their participants through their respective depositaries, which in turn will hold such interests in the Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Upon the issuance of a Global Note, the depositary will credit, on its book-entry registration and transfer system, the participants' accounts with the respective principal or face amounts of the notes beneficially owned by the participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by DTC, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

So long as DTC, or its nominee, is the registered owner of the Global Note, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the Global Note for all purposes under the Indenture and the notes. Except as described below, owners of beneficial interests in a Global Note will not be entitled to have the notes represented by the Global Note registered in their names, will not receive or be entitled to receive physical delivery of the notes in definitive form and will not be considered the owners or holders of the notes under the Indenture. Accordingly, each person owning a beneficial interest in a Global Note must rely on the procedures of the depositary for that Global Note and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder under the Indenture. The laws of some states may require that some purchasers of notes take physical delivery of these notes in definitive form. Such laws may impair the ability to transfer beneficial interests in a Global Note.

To facilitate subsequent transfers, all notes deposited by participants with DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of the notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the notes. DTC's records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

We will make payments due on the notes to Cede & Co., as nominee of DTC, in immediately available funds. DTC's practice upon receipt of any payment of principal, premium, interest or other distribution of underlying securities or other property to holders on that Global Note, is to immediately credit participants' accounts in amounts proportionate to their respective beneficial interests in that Global Note as shown on the records of the depositary. Payments by participants or indirect participants to owners of beneficial interests in a Global Note held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of those participants or indirect participants. Payment to Cede & Co. is our responsibility. Disbursement of such payments to direct participants is the responsibility of Cede & Co. Disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants. Neither we nor the Trustee nor any other agent of ours or any agent of the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests or for any other aspect of the relationship between DTC and its participants or indirect participants or the relationship between such participants or indirect participants and the owners of beneficial interests in the Global Notes.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with

their respective rules and operating procedures. If a holder requires physical delivery of a definitive note for any reason, including to sell notes to persons in jurisdictions that require such delivery of such notes or to pledge such notes, such holder must transfer its interest in the relevant Global Note in accordance with the normal procedures of DTC and the procedures set forth in the Indenture.

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Cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in the Global Note from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date, and such credit of any transaction's interests in the Global Note settled during such processing day will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

We expect that DTC will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such participant or participants has or have given such direction. However, if DTC no longer is willing to act as depository, ceases to be a clearing agency or if there is an Event of Default under the notes, DTC will exchange each Global Note for definitive notes, which it will distribute to its participants. These definitive notes will be subject to certain restrictions on registration of transfers and will bear certain legends.

Although we expect that DTC, Euroclear and Clearstream will