

Discover Financial Services

GAAP Basis¹

(unaudited, dollars in thousands, except per share statistics)

	Quarter Ended					August 31, 2010		Nine Months Ended			
	Aug 31, 2010	May 31, 2010	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	vs. August 31, 2009		Aug 31, 2010	Aug 31, 2009	2010 vs. 2009	
Earnings Summary											
Interest Income	\$1,535,939	\$1,551,782	\$1,559,150	\$638,086	\$833,217	\$702,722	84%	\$4,646,871	\$2,506,994	\$2,139,877	85%
Interest Expense	389,137	404,621	413,724	314,158	304,401	84,736	28%	1,207,482	937,126	270,356	29%
Net Interest Income	1,146,802	1,147,161	1,145,426	323,928	528,816	617,986	117%	3,439,389	1,569,868	1,869,521	119%
Other Income ²	564,144	512,844	545,876	1,253,559	1,315,960	(751,816)	(57%)	1,622,864	3,587,036	(1,964,172)	(55%)
Revenue Net of Interest Expense	1,710,946	1,660,005	1,691,302	1,577,487	1,844,776	(133,830)	(7%)	5,062,253	5,156,904	(94,651)	(2%)
Provision for Loan Losses	712,565	724,264	1,387,206	399,732	380,999	331,566	87%	2,824,035	1,962,673	861,362	44%
Employee Compensation and Benefits	204,210	202,536	195,764	191,516	208,528	(4,318)	(2%)	602,510	636,167	(33,657)	(5%)
Marketing and Business Development	130,532	97,970	84,673	113,851	77,814	52,718	68%	313,175	292,169	21,006	7%
Information Processing & Communications	62,357	63,087	65,418	72,192	67,679	(5,322)	(8%)	190,862	217,017	(26,155)	(12%)
Professional Fees	85,289	78,067	75,813	92,910	83,746	1,543	2%	239,169	228,419	10,750	5%
Premises and Equipment	17,722	17,691	17,860	18,282	18,437	(715)	(4%)	53,273	54,732	(1,459)	(3%)
Other Expense	66,128	54,197	35,276	118,748	67,634	(1,506)	(2%)	155,601	215,085	(59,484)	(28%)
Total Other Expense	566,238	513,548	474,804	607,499	523,838	42,400	8%	1,554,590	1,643,589	(88,999)	(5%)
Income Before Income Taxes ²	432,143	422,193	(170,708)	570,256	939,939	(507,796)	(54%)	683,628	1,550,642	(867,014)	(56%)
Tax Expense	171,526	164,126	(67,170)	217,719	362,485	(190,959)	(53%)	268,482	626,994	(358,512)	(57%)
Net Income ²	\$260,617	\$258,067	(\$103,538)	\$352,537	\$577,454	(\$316,837)	(55%)	\$415,146	\$923,648	(\$508,502)	(55%)
Net Income Allocated to Common Stockholders ^{2,3}	\$258,194	\$184,590	(\$122,233)	\$330,505	\$552,928	(\$294,734)	(53%)	\$321,613	\$876,506	(\$554,893)	(63%)
Effective Tax Rate ⁴	39.7%	38.9%	39.3%	38.2%	38.6%			39.3%	40.4%		
Balance Sheet Statistics											
Total Assets	\$60,057,553	\$62,153,678	\$66,818,951	\$46,020,987	\$42,698,290	\$17,359,263	41%	\$60,057,553	\$42,698,290	\$17,359,263	41%
Tangible Assets ⁵	\$59,611,493	\$61,705,953	\$66,369,560	\$45,569,930	\$42,245,313	\$17,366,180	41%	\$59,611,493	\$42,245,313	\$17,366,180	41%
Total Equity	\$6,111,297	\$6,038,267	\$7,015,048	\$8,435,547	\$8,386,202	(\$2,274,905)	(27%)	\$6,111,297	\$8,386,202	(\$2,274,905)	(27%)
Total Common Equity	\$6,111,297	\$6,038,267	\$5,853,594	\$7,277,481	\$7,231,463	(\$1,120,166)	(15%)	\$6,111,297	\$7,231,463	(\$1,120,166)	(15%)
Total Common Equity/Total Assets	10.2%	9.7%	8.8%	15.8%	16.9%			10.2%	16.9%		
Total Common Equity/Net Loans ⁶	13.2%	13.1%	12.8%	33.3%	30.6%			13.2%	30.6%		
Book Value per share ⁷	\$11.22	\$11.10	\$12.90	\$15.54	\$15.45	(\$4.23)	(27%)	\$11.22	\$15.45	(\$4.23)	(27%)
ROE ^{2,8}	17%	16%	(6%)	16%	28%			9%	17%		
Allowance for Loan Loss (period end)	\$3,743,721	\$3,930,624	\$4,207,360	\$1,757,899	\$1,832,360	\$1,911,361	104%	\$3,743,721	\$1,832,360	\$1,911,361	104%
Change in Loan Loss Reserves	(\$186,903)	(\$276,736)	\$305,000	(\$74,461)	(\$154,113)	(\$32,790)	(21%)	(\$158,639)	\$457,775	(\$616,414)	(135%)
Reserve Rate ⁹	7.47%	7.86%	8.40%	7.44%	7.19%	28 bps		7.47%	7.19%	28 bps	
Per Share Statistics											
Basic EPS ^{2,10}	\$0.47	\$0.34	(\$0.22)	\$0.61	\$1.08	(\$0.61)	(56%)	\$0.59	\$1.78	(\$1.19)	(67%)
Diluted EPS ^{2,10}	\$0.47	\$0.33	(\$0.22)	\$0.60	\$1.07	(\$0.60)	(56%)	\$0.58	\$1.78	(\$1.20)	(67%)
Common Stock Price (period end)	\$14.51	\$13.45	\$13.65	\$15.46	\$13.75	\$0.76	6%	\$14.51	\$13.75	\$0.76	6%
Ending Common Shares Outstanding (000's)	544,550	543,993	543,777	542,922	542,749	1,801	0%	544,550	542,749	1,801	0%
Weighted Average Common Shares Outstanding (000's)	544,314	543,875	543,422	542,826	513,098	31,216	6%	543,874	491,839	52,035	11%
Weighted Average Common Shares Outstanding (fully diluted) (000's)	547,082	552,060	543,422	551,343	517,050	30,032	6%	550,111	492,759	57,352	12%
Loan Receivables											
Total Loans	\$50,130,664	\$50,024,718	\$50,093,516	\$23,625,084	\$25,489,809	24,640,855	97%	\$50,130,664	\$25,489,809	\$24,640,855	97%
Average Total Loans	\$49,687,300	\$49,818,909	\$51,555,460	\$23,835,598	\$26,380,203	23,307,097	88%	\$50,345,119	\$27,454,927	\$22,890,192	83%
Interest Yield ¹¹	12.16%	12.25%	12.15%	10.25%	12.10%	6 bps		12.19%	11.62%	57 bps	
Net Principal Charge-off Rate ¹²	7.18%	7.97%	8.51%	7.98%	8.05%	(87) bps		7.89%	7.30%	59 bps	
Delinquency Rate (over 30 days) ¹³	4.16%	4.52%	5.05%	4.92%	4.86%	(70) bps		4.16%	4.86%	(70) bps	
Delinquency Rate (over 90 days) ¹⁴	2.19%	2.45%	2.77%	2.58%	2.46%	(27) bps		2.19%	2.46%	(27) bps	
Net Charge-off Dollars	\$899,468	\$1,001,000	\$1,082,206	\$474,193	\$535,112	364,356	68%	\$2,982,674	\$1,504,898	\$1,477,776	98%
Loans Delinquent Over 30 Days	\$2,083,128	\$2,263,608	\$2,529,580	\$1,161,497	\$1,237,636	845,492	68%	\$2,083,128	\$1,237,636	\$845,492	68%
Loans Delinquent Over 90 Days	\$1,098,611	\$1,224,526	\$1,386,386	\$608,437	\$626,793	471,818	75%	\$1,098,611	\$626,793	\$471,818	75%
Transactions Processed on Networks (000's)											
Discover Network	418,423	392,571	381,562	387,350	390,643	27,780	7%	1,192,556	1,126,605	65,951	6%
PULSE Network	882,172	805,281	719,906	676,817	753,201	128,971	17%	2,407,359	2,201,903	205,456	9%
Total	1,300,595	1,197,852	1,101,468	1,064,167	1,143,844	156,751	14%	3,599,915	3,328,508	271,407	8%
Volume											
PULSE Network	\$30,581,850	\$28,645,624	\$27,617,635	\$24,667,926	\$28,051,978	\$2,529,872	9%	\$86,845,109	\$84,634,195	\$2,210,914	3%
Third-Party Issuers	1,793,785	1,678,337	1,561,929	1,522,269	1,446,308	347,477	24%	5,034,051	4,149,286	884,765	21%
Diners Club International ¹⁵	6,542,418	6,708,533	6,554,504	7,172,809	6,465,990	76,428	1%	19,805,455	19,000,168	805,287	4%
Total Payment Services	38,918,053	37,032,494	35,734,068	33,363,004	35,964,276	2,953,777	8%	111,684,615	107,783,649	3,900,966	4%
Discover Network - Proprietary ¹⁶	24,880,163	23,631,719	23,172,534	22,712,600	23,579,434	1,300,729	6%	71,684,416	67,976,397	3,708,019	5%
Total	\$63,798,216	\$60,664,213	\$58,906,602	\$56,075,604	\$59,543,710	\$4,254,506	7%	\$183,369,031	\$175,760,046	\$7,608,985	4%

Discover Financial Services

As Adjusted Basis (for 2009 data)
(unaudited, dollars in thousands, except per share statistics)

	Quarter Ended					August 31, 2010		Nine Months Ended		2010 vs. 2009	
	Aug 31, 2010	May 31, 2010	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	vs. August 31, 2009	Aug 31, 2010	Aug 31, 2009			
Earnings Summary											
Interest Income	\$1,535,939	\$1,551,782	\$1,559,150	\$1,576,442	\$1,660,787	(\$124,848)	(8)%	\$4,646,871	\$4,858,710	(\$211,839)	(4)%
Interest Expense	389,137	404,621	413,724	393,160	382,238	6,899	2%	1,207,482	1,212,339	(4,857)	(0)%
Net Interest Income	1,146,802	1,147,161	1,145,426	1,183,282	1,278,549	(131,747)	(10)%	3,439,389	3,646,371	(206,982)	(6)%
Other Income	564,144	\$12,844	545,876	550,229	575,717	(11,573)	(2)%	1,622,864	1,635,835	(12,971)	(1)%
Revenue Net of Interest Expense	1,710,946	1,660,005	1,691,302	1,733,511	1,854,266	(143,320)	(8)%	5,062,253	5,282,206	(219,953)	(4)%
Provision for Loan Losses	712,565	724,264	1,387,206	1,258,261	1,085,209	(372,644)	(34)%	2,824,035	3,864,769	(1,040,734)	(27)%
Employee Compensation and Benefits	204,210	202,536	195,764	191,516	208,528	(4,318)	(2)%	602,510	636,167	(33,657)	(5)%
Marketing and Business Development	130,532	97,970	84,673	113,851	77,814	52,718	68%	313,175	292,169	21,006	7%
Information Processing & Communications	62,357	63,087	65,418	72,192	67,679	(5,322)	(8)%	190,862	217,017	(26,155)	(12)%
Professional Fees	85,289	78,067	75,813	92,910	83,746	1,543	2%	239,169	228,419	10,750	5%
Premises and Equipment	17,722	17,691	17,860	18,282	18,437	(715)	(4)%	53,273	54,732	(1,459)	(3)%
Other Expense	66,128	54,197	35,276	89,756	67,634	(1,506)	(2)%	155,601	215,085	(59,484)	(28)%
Total Other Expense	566,238	513,548	474,804	578,507	523,838	42,400	8%	1,554,590	1,643,589	(88,999)	(5)%
Income Before Income Taxes	432,143	422,193	(170,708)	(103,257)	245,219	683,924	76%	683,628	(226,152)	909,780	NM
Tax Expense	171,526	164,126	(67,170)	(44,037)	94,655	76,871	81%	268,482	(48,088)	316,570	NM
Net Income	\$260,617	\$258,067	(\$103,538)	(\$59,220)	\$150,564	\$110,053	73%	\$415,146	(\$178,064)	\$593,210	NM
Net Income Allocated to Common Stockholders ³	\$258,194	\$184,590	(\$122,233)	(\$77,855)	\$130,954	\$127,240	97%	\$321,613	(\$212,684)	\$534,297	NM
Effective Tax Rate ⁴	39.7%	38.9%	39.3%	42.6%	38.6%			39.3%	21.3%		
Balance Sheet Statistics											
Total Assets	\$60,057,553	\$62,153,678	\$66,818,951	\$67,116,359	\$63,929,520	(\$3,871,967)	(6)%	\$60,057,553	\$63,929,520	(\$3,871,967)	(6)%
Tangible Assets ⁵	\$59,611,493	\$61,705,953	\$66,369,560	\$66,665,302	\$63,476,543	(\$3,865,050)	(6)%	\$59,611,493	\$63,476,543	(\$3,865,050)	(6)%
Total Equity	\$6,111,297	\$6,038,267	\$7,015,048	\$7,102,991	\$7,148,275	(\$1,036,978)	(15)%	\$6,111,297	\$7,148,275	(\$1,036,978)	(15)%
Total Common Equity	\$6,111,297	\$6,038,267	\$5,853,594	\$5,944,925	\$5,993,536	\$117,761	2%	\$6,111,297	\$5,993,536	\$117,761	2%
Tangible Common Equity ¹⁷	\$5,665,237	\$5,590,542	\$5,404,203	\$5,493,868	\$5,540,559	\$124,678	2%	\$5,665,237	\$5,540,559	\$124,678	2%
Tangible Common Equity/Tangible Assets ^{17,18}	9.5%	9.1%	8.1%	8.2%	8.7%			9.5%	8.7%		
Tangible Common Equity/Net Loans ^{6,17,19}	12.2%	12.1%	11.8%	11.7%	11.7%			12.2%	11.7%		
Tangible Common Equity per share ^{17,20}	\$10.40	\$10.28	\$9.94	\$10.12	\$10.21	\$0.19	2%	\$10.40	\$10.21	\$0.19	2%
ROE ⁸	17%	16%	(3)%	9%	9%			9%	(4)%		
Net Interest Margin ²¹	9.16%	9.14%	9.01%	9.38%	9.95%	(79) bps		9.10%	9.47%	(37) bps	
Return on Loan Receivables ²²	2.08%	2.06%	(0.81)%	(0.47)%	1.17%	91 bps		1.10%	(0.46)%	156 bps	
Allowance for Loan Loss (period end)	\$3,743,721	\$3,930,624	\$4,207,360	\$3,902,360	\$3,707,571	\$36,150	1%	\$3,743,721	\$3,707,571	\$36,150	1%
Change in Loan Loss Reserves	(\$186,903)	(\$276,736)	\$305,000	\$194,789	\$6,670	(\$193,573)	NM	(\$158,639)	\$953,214	(\$1,111,853)	(117)%
Reserve Rate ⁹	7.47%	7.86%	8.40%	7.67%	7.28%	19 bps		7.47%	7.28%	19 bps	
Reserve Rate (excluding guaranteed student loans) ²³	7.80%	8.21%	8.73%	7.87%	7.41%	39 bps		7.80%	7.41%	39 bps	
Per Share Statistics											
Basic EPS ¹⁰	\$0.47	\$0.34	(\$0.22)	(\$0.14)	\$0.26	\$0.21	81%	\$0.59	(\$0.43)	\$1.02	NM
Diluted EPS ¹⁰	\$0.47	\$0.33	(\$0.22)	(\$0.14)	\$0.25	\$0.22	88%	\$0.58	(\$0.43)	\$1.01	NM
Common Stock Price (period end)	\$14.51	\$13.45	\$13.65	\$15.46	\$13.75	\$0.76	6%	\$14.51	\$13.75	\$0.76	6%
Ending Common Shares Outstanding (000's)	544,550	543,993	543,777	542,922	542,749	1,801	0%	544,550	542,749	1,801	0%
Weighted Average Common Shares Outstanding (000's)	544,314	543,875	543,422	542,826	513,098	31,216	6%	543,874	491,839	52,035	11%
Weighted Average Common Shares Outstanding (fully diluted) (000's)	547,082	552,600	543,422	542,826	517,050	30,032	6%	550,111	491,839	58,272	12%
Loan Receivables											
Total Loans	\$50,130,664	\$50,024,718	\$50,093,516	\$50,854,146	\$50,896,596	(765,932)	(2)%	\$50,130,664	\$50,896,596	(\$765,932)	(2)%
Average Total Loans	\$49,687,300	\$49,818,909	\$51,555,460	\$50,585,332	\$50,957,954	(1,270,654)	(2)%	\$50,345,119	\$51,311,049	(\$965,930)	(2)%
Interest Yield ¹¹	12.16%	12.25%	12.15%	12.35%	12.79%	(63) bps		12.19%	12.41%	(22) bps	
Net Principal Charge-off Rate ¹²	7.18%	7.97%	8.51%	8.43%	8.40%	(122) bps		7.89%	7.56%	33 bps	
Delinquency Rate (over 30 days) ¹³	4.16%	4.52%	5.05%	5.31%	5.11%	(95) bps		4.16%	5.11%	(95) bps	
Delinquency Rate (over 90 days) ¹⁴	2.19%	2.45%	2.77%	2.78%	2.60%	(41) bps		2.19%	2.60%	(41) bps	
Net Charge-off Dollars	\$899,468	\$1,001,000	\$1,082,206	\$1,063,472	\$1,078,539	(\$179,071)	(17)%	\$2,982,674	\$2,911,555	\$71,119	2%
Loans Delinquent Over 30 Days	\$2,083,128	\$2,263,608	\$2,529,580	\$2,700,959	\$2,598,424	(\$515,296)	(20)%	\$2,083,128	\$2,598,424	(\$515,296)	(20)%
Loans Delinquent Over 90 Days	\$1,098,611	\$1,224,526	\$1,386,386	\$1,411,779	\$1,322,433	(\$223,822)	(17)%	\$1,098,611	\$1,322,433	(\$223,822)	(17)%
Segment - Income Before Income Taxes											
Direct Banking	\$395,299	\$385,939	(\$207,665)	(\$127,028)	\$218,080	\$177,219	81%	\$573,573	(\$308,925)	\$882,498	NM
Payment Services	36,844	36,254	36,957	23,771	27,139	9,705	36%	110,055	82,773	27,282	33%
Total	\$432,143	\$422,193	(\$170,708)	(\$103,257)	\$245,219	\$186,924	76%	\$683,628	(\$226,152)	\$909,780	NM

Note: As adjusted basis (non-GAAP) data is presented to show how the Company's financial data would be presented for each of the fiscal quarters in the year ended November 30, 2009 if the trusts used in the Company's securitization activities were consolidated into the Company's financial statements for such periods. As adjusted income statement data also excludes the impact of income received in connection with the settlement of the Company's antitrust litigation with Visa and MasterCard in each quarter of 2009 and the income statement impact of the Morgan Stanley special dividend agreement dispute in the fourth quarter of 2009. For reconciliation of comparable GAAP measures see Reconciliation of GAAP to As Adjusted data.

Discover Financial Services
Direct Banking Segment
Managed Basis ²⁴
(unaudited, dollars in thousands)

	Quarter Ended					August 31, 2010		Nine Months Ended		2010 vs. 2009	
	Aug 31, 2010	May 31, 2010	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	vs. August 31, 2009		Aug 31, 2010	Aug 31, 2009		
Earnings Summary											
Interest Income	\$1,535,934	\$1,551,775	\$1,559,147	\$1,585,612	\$1,663,886	(\$127,952)	(8%)	\$4,646,856	\$4,874,362	(\$227,506)	(5%)
Interest Expense	389,059	404,577	413,686	403,266	392,592	(3,533)	(1%)	1,207,322	1,244,932	(37,610)	(3%)
Net Interest Income	1,146,875	1,147,198	1,145,461	1,182,346	1,271,294	(124,419)	(10%)	3,439,534	3,629,430	(189,896)	(5%)
Other Income	495,771	447,711	480,341	924,499	1,055,529	(559,758)	(53%)	1,423,823	2,753,382	(1,329,559)	(48%)
Revenue Net of Interest Expense	1,642,646	1,594,909	1,625,802	2,106,845	2,326,823	(684,177)	(29%)	4,863,357	6,382,812	(1,519,455)	(24%)
Provision for Loan Losses	712,565	724,264	1,387,206	989,009	924,427	(211,862)	(23%)	2,824,035	3,369,332	(545,297)	(16%)
Total Other Expense	534,782	484,706	446,261	571,351	489,596	45,186	9%	1,465,749	1,545,611	(79,862)	(5%)
Income Before Income Taxes	\$395,299	\$385,939	(\$207,665)	\$546,485	\$912,800	(\$517,501)	(57%)	\$573,573	\$1,467,869	(\$894,296)	(61%)
Net Interest Margin ²¹	9.16%	9.14%	9.01%	9.37%	9.90%	(74) bps		9.10%	9.42%	(32) bps	
Pretax Return on Loan Receivables ²⁵	3.16%	3.07%	(1.63%)	4.33%	7.10%	(394) bps		1.52%	3.81%	(229) bps	
Loan Receivables											
Total Loans	\$50,130,664	\$50,024,718	\$50,093,516	\$50,860,372	\$50,903,845	(\$773,181)	(2%)	\$50,130,664	\$50,903,845	(\$773,181)	(2%)
Average Total Loans	\$49,687,300	\$49,818,909	\$51,555,460	\$50,590,846	\$50,971,056	(\$1,283,756)	(3%)	\$50,345,119	\$51,323,201	(\$978,082)	(2%)
Interest Yield ¹¹	12.16%	12.25%	12.15%	12.34%	12.73%	(57) bps		12.19%	12.36%	(17) bps	
Net Principal Charge-off Rate ¹²	7.18%	7.97%	8.51%	8.43%	8.39%	(121) bps		7.89%	7.56%	33 bps	
Delinquency Rate (over 30 days) ¹³	4.16%	4.52%	5.05%	5.31%	5.10%	(94) bps		4.16%	5.10%	(94) bps	
Delinquency Rate (over 90 days) ¹⁴	2.19%	2.45%	2.77%	2.78%	2.60%	(41) bps		2.19%	2.60%	(41) bps	
Net Charge-off Dollars	\$899,468	\$1,001,000	\$1,082,206	\$1,063,472	\$1,078,539	(\$179,071)	(17%)	\$2,982,674	\$2,911,555	\$71,119	2%
Loans Delinquent Over 30 Days	\$2,083,128	\$2,263,608	\$2,529,580	\$2,700,959	\$2,598,424	(\$515,296)	(20%)	\$2,083,128	\$2,598,424	(\$515,296)	(20%)
Loans Delinquent Over 90 Days	\$1,098,611	\$1,224,526	\$1,386,386	\$1,411,779	\$1,322,433	(\$223,822)	(17%)	\$1,098,611	\$1,322,433	(\$223,822)	(17%)
Credit Card Loans											
Credit Card Loans	\$45,248,166	\$45,328,330	\$45,761,239	\$47,465,590	\$48,135,639	(\$2,887,473)	(6%)	\$45,248,166	\$48,135,639	(\$2,887,473)	(6%)
Average Credit Card Loans	\$44,905,220	\$45,279,580	\$47,646,479	\$47,429,775	\$48,641,890	(\$3,736,670)	(8%)	\$45,931,331	\$49,328,104	(\$3,396,773)	(7%)
Interest Yield ¹¹	12.86%	12.93%	12.70%	12.75%	12.99%	(13) bps		12.83%	12.54%	29 bps	
Net Principal Charge-off Rate ¹²	7.73%	8.56%	9.00%	8.81%	8.63%	(90) bps		8.44%	7.74%	70 bps	
Delinquency Rate (over 30 days) ¹³	4.39%	4.85%	5.39%	5.60%	5.31%	(92) bps		4.39%	5.31%	(92) bps	
Delinquency Rate (over 90 days) ¹⁴	2.35%	2.63%	2.98%	2.94%	2.72%	(37) bps		2.35%	2.72%	(37) bps	
Net Charge-off Dollars	\$875,292	\$977,084	\$1,057,920	\$1,041,247	\$1,057,613	(\$182,321)	(17%)	\$2,910,297	\$2,865,646	\$44,651	2%
Loans Delinquent Over 30 Days	\$1,986,049	\$2,196,312	\$2,467,482	\$2,656,689	\$2,557,243	(\$571,194)	(22%)	\$1,986,049	\$2,557,243	(\$571,194)	(22%)
Loans Delinquent Over 90 Days	\$1,062,171	\$1,192,684	\$1,364,801	\$1,393,474	\$1,309,638	(\$247,467)	(19%)	\$1,062,171	\$1,309,638	(\$247,467)	(19%)
Total Discover Card Volume	\$25,552,568	\$24,247,382	\$23,844,456	\$23,335,440	\$23,955,402	\$1,597,166	7%	\$73,644,406	\$72,256,730	\$1,387,676	2%
Discover Card Sales Volume	\$23,992,715	\$22,858,772	\$22,399,675	\$21,903,694	\$22,768,927	\$1,223,788	5%	\$69,251,162	\$65,556,858	\$3,694,304	6%

Discover Financial Services
Direct Banking Segment
As Adjusted Basis (for 2009 data)
(unaudited, dollars in thousands)

	Quarter Ended					August 31, 2010		Nine Months Ended		2010 vs. 2009	
	Aug 31, 2010	May 31, 2010	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	vs. August 31, 2009		Aug 31, 2010	Aug 31, 2009		
Earnings Summary											
Interest Income	\$1,535,934	\$1,551,775	\$1,559,147	\$1,576,364	\$1,660,592	(\$124,658)	(8%)	\$4,646,856	\$4,857,690	(\$210,834)	(4%)
Interest Expense	389,059	404,577	413,686	393,128	382,188	6,871	2%	1,207,322	1,212,149	(4,827)	(0%)
Net Interest Income	1,146,875	1,147,198	1,145,461	1,183,236	1,278,404	(131,529)	(10%)	3,439,534	3,645,541	(206,007)	(6%)
Other Income	495,771	447,711	480,341	490,356	514,481	(18,710)	(4%)	1,423,823	1,455,914	(32,091)	(2%)
Revenue Net of Interest Expense	1,642,646	1,594,909	1,625,802	1,673,592	1,792,885	(150,239)	(8%)	4,863,357	5,101,455	(238,098)	(5%)
Provision for Loan Losses	712,565	724,264	1,387,206	1,258,261	1,085,209	(372,644)	(34%)	2,824,035	3,864,769	(1,040,734)	(27%)
Total Other Expense	534,782	484,706	446,261	542,359	489,596	45,186	9%	1,465,749	1,545,611	(79,862)	(5%)
Income Before Income Taxes	\$395,299	\$385,939	(\$207,665)	(\$127,028)	\$218,080	\$177,219	81%	\$573,573	(\$308,925)	\$882,498	NM
Net Interest Margin ²¹	9.16%	9.14%	9.01%	9.38%	9.95%	(79) bps		9.10%	9.46%	(36) bps	
Pretax Return on Loan Receivables ²⁵	3.16%	3.07%	(1.63%)	(1.01%)	1.70%	146 bps		1.52%	(0.80%)	232 bps	
Loan Receivables											
Total Loans	\$50,130,664	\$50,024,718	\$50,093,516	\$50,854,146	\$50,896,596	(\$765,932)	(2%)	\$50,130,664	\$50,896,596	(\$765,932)	(2%)
Average Total Loans	\$49,687,300	\$49,818,909	\$51,555,460	\$50,585,332	\$50,957,954	(\$1,270,654)	(2%)	\$50,345,119	\$51,311,049	(\$965,930)	(2%)
Interest Yield ¹¹	12.16%	12.25%	12.15%	12.35%	12.79%	(63) bps		12.19%	12.41%	(22) bps	
Net Principal Charge-off Rate ¹²	7.18%	7.97%	8.51%	8.43%	8.40%	(122) bps		7.89%	7.56%	33 bps	
Delinquency Rate (over 30 days) ¹³	4.16%	4.52%	5.05%	5.31%	5.11%	(95) bps		4.16%	5.11%	(95) bps	
Delinquency Rate (over 90 days) ¹⁴	2.19%	2.45%	2.77%	2.78%	2.60%	(41) bps		2.19%	2.60%	(41) bps	
Net Charge-off Dollars	\$899,468	\$1,001,000	\$1,082,206	\$1,063,472	\$1,078,539	(\$179,071)	(17%)	\$2,982,674	\$2,911,555	\$71,119	2%
Loans Delinquent Over 30 Days	\$2,083,128	\$2,263,608	\$2,529,580	\$2,700,959	\$2,598,424	(\$515,296)	(20%)	\$2,083,128	\$2,598,424	(\$515,296)	(20%)
Loans Delinquent Over 90 Days	\$1,098,611	\$1,224,526	\$1,386,386	\$1,411,779	\$1,322,433	(\$223,822)	(17%)	\$1,098,611	\$1,322,433	(\$223,822)	(17%)
Credit Card Loans											
Credit Card Loans	\$45,248,166	\$45,328,330	\$45,761,239	\$47,459,364	\$48,128,390	(\$2,880,224)	(6%)	\$45,248,166	\$48,128,390	(\$2,880,224)	(6%)
Average Credit Card Loans	\$44,905,220	\$45,279,580	\$47,646,479	\$47,424,261	\$48,628,789	(\$3,723,569)	(8%)	\$45,931,331	\$49,315,952	(\$3,384,621)	(7%)
Interest Yield ¹¹	12.86%	12.93%	12.70%	12.76%	13.05%	(19) bps		12.83%	12.59%	24 bps	
Net Principal Charge-off Rate ¹²	7.73%	8.56%	9.00%	8.81%	8.63%	(90) bps		8.44%	7.74%	70 bps	
Delinquency Rate (over 30 days) ¹³	4.39%	4.85%	5.39%	5.60%	5.31%	(92) bps		4.39%	5.31%	(92) bps	
Delinquency Rate (over 90 days) ¹⁴	2.35%	2.63%	2.98%	2.94%	2.72%	(37) bps		2.35%	2.72%	(37) bps	
Net Charge-off Dollars	\$875,292	\$977,084	\$1,057,920	\$1,041,247	\$1,057,613	(\$182,321)	(17%)	\$2,910,297	\$2,865,646	\$44,651	2%
Loans Delinquent Over 30 Days	\$1,986,049	\$2,196,312	\$2,467,482	\$2,656,689	\$2,557,243	(\$571,194)	(22%)	\$1,986,049	\$2,557,243	(\$571,194)	(22%)
Loans Delinquent Over 90 Days	\$1,062,171	\$1,192,684	\$1,364,801	\$1,393,474	\$1,309,638	(\$247,467)	(19%)	\$1,062,171	\$1,309,638	(\$247,467)	(19%)
Total Discover Card Volume	\$25,552,568	\$24,247,382	\$23,844,456	\$23,335,440	\$23,955,402	\$1,597,166	7%	\$73,644,406	\$72,256,730	\$1,387,676	2%
Discover Card Sales Volume	\$23,992,715	\$22,858,772	\$22,399,675	\$21,903,694	\$22,768,927	\$1,223,788	5%	\$69,251,162	\$65,556,858	\$3,694,304	6%

Note: As adjusted basis (non-GAAP) data is presented to show how the Company's financial data would be presented for each of the fiscal quarters in the year ended November 30, 2009 if the trusts used in the Company's securitization activities were consolidated into the Company's financial statements for such periods. As adjusted income statement data also excludes the impact of income received in connection with the settlement of the Company's antitrust litigation with Visa and MasterCard in each quarter of 2009 and the income statement impact of the Morgan Stanley special dividend agreement dispute in the fourth quarter of 2009. For reconciliation of comparable GAAP measures see Reconciliation of GAAP to As Adjusted data.

Discover Financial Services
Payment Services Segment
(unaudited, dollars in thousands)

	Quarter Ended					August 31, 2010		Nine Months Ended		2010 vs. 2009	
	Aug 31, 2010	May 31, 2010	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	vs. August 31, 2009		Aug 31, 2010	Aug 31, 2009		
Earnings Summary											
Interest Income	\$5	\$7	\$3	\$78	\$195	(\$190)	(97%)	\$15	\$1,020	(\$1,005)	(99%)
Interest Expense	78	44	38	32	50	28	56%	160	190	(30)	(16%)
Net Interest Income	(73)	(37)	(35)	46	145	(218)	(150%)	(145)	830	(975)	(117%)
Other Income	68,373	65,133	65,535	59,873	61,236	7,137	12%	199,041	179,921	19,120	11%
Revenue Net of Interest Expense	68,300	65,096	65,500	59,919	61,381	6,919	11%	198,896	180,751	18,145	10%
Provision for Loan Losses	-	-	-	-	-	-	NM	-	-	-	NM
Total Other Expense	31,456	28,842	28,543	36,148	34,242	(2,786)	(8%)	88,841	97,978	(9,137)	(9%)
Income Before Income Taxes	\$36,844	\$36,254	\$36,957	\$23,771	\$27,139	\$9,705	36%	\$110,055	\$82,773	\$27,282	33%
Volume											
PULSE Network	\$30,581,850	\$28,645,624	\$27,617,635	\$24,667,926	\$28,051,978	\$2,529,872	9%	\$86,845,109	\$84,634,195	\$2,210,914	3%
Third-Party Issuers	1,793,785	1,678,337	1,561,929	1,522,269	1,446,308	347,477	24%	5,034,051	4,149,286	884,765	21%
Diners Club International ¹⁵	6,542,418	6,708,533	6,554,504	7,172,809	6,465,990	76,428	1%	19,805,455	19,000,168	805,287	4%
Total Payment Services ¹⁶	\$38,918,053	\$37,032,494	\$35,734,068	\$33,363,004	\$35,964,276	\$2,953,777	8%	\$111,684,615	\$107,783,649	\$3,900,966	4%
Transactions Processed on PULSE Network (000's)	882,172	805,281	719,906	676,817	753,201	128,971	17%	2,407,359	2,201,903	205,456	9%

DISCOVER FINANCIAL SERVICES

RECONCILIATION OF GAAP TO AS ADJUSTED DATA

The following pages present a reconciliation for certain information disclosed in the financial data supplement.

The trusts used in the securitization activities of Discover Financial Services (the "Company") are included in the Company's consolidated financial results beginning with the fiscal quarter ending February 28, 2010, in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140 ("Statement No. 166") (codified under the FASB Accounting Standards Codification ("ASC") Section 860, Transfers and Servicing) and Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretations No. 46(R) ("Statement No. 167") (codified under ASC Section 810, Consolidation), which were effective for the Company at the beginning of its current fiscal year, December 1, 2009.

The Company did not retrospectively adopt Statements No. 166 and 167 and, therefore, financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for 2010 and beyond will reflect the new accounting requirements, but the historical GAAP financial statements for periods ending on or before November 30, 2009 will continue to reflect the accounting applicable prior to the Company's adoption of Statements No. 166 and 167.

To allow for a more meaningful historical comparison in analyzing financial data presented in 2010 and beyond, the Company has prepared financial statements showing how the Company's financial data would have been presented if the trusts used in the Company's securitization activities were consolidated into the Company's financial statements in 2009. In preparing the financial statements, the Company made securitization and as adjusted adjustments for each period. Securitization adjustments reverse the effect of loan securitization by recharacterizing securitization income to report interest income, interest expense, provision for loan losses, discount and interchange revenue and loan fee revenues in the same lines as non-securitized loans. As adjusted adjustments include additional amounts necessary to reflect results as if the trusts used in our securitization activities had been fully consolidated in our historical results and adjustments to exclude the impact of income received in connection with the settlement of the Company's antitrust litigation with Visa and MasterCard in each quarter of 2009 and the income statement impact of the Morgan Stanley special dividend agreement dispute in the fourth quarter of 2009.

Tangible common equity ("TCE"), a non-GAAP financial measure, represents common equity less goodwill and intangibles. A reconciliation of TCE to common equity, a GAAP financial measure, is shown on the pages that follow. Other financial services companies may also use TCE and definitions may vary, so we advise users of this information to exercise caution in comparing TCE of different companies. TCE is included because management believes that common equity excluding goodwill and intangibles is a more meaningful valuation to investors of the true net asset value of the company.

Reserve rate (excluding guaranteed student loans), a non-GAAP financial measure, represents the allowance for loan losses as a percentage of total loans excluding guaranteed student loans. A reconciliation of total loans, a GAAP financial measure, to loans excluding the guaranteed portion of student loans is shown on the pages that follow. A portion of the Company's student loans are 97% guaranteed by the federal government under the Federal Family Education Loan Program. These guaranteed student loans carry little default risk and therefore, are reserved at a significantly lower rate than the remaining portfolio. Management believes that a reserve rate excluding the government guaranteed portion of student loans is a more meaningful valuation to investors of the portion of the portfolio that has a risk of loss.

Discover Financial Services
Reconciliation of GAAP to As Adjusted Data
(unaudited, dollars in thousands, except per share statistics)

	Quarter Ended					Nine Months Ended	
	Aug 31, 2010	May 31, 2010	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	Aug 31, 2010	Aug 31, 2009
GAAP Total Common Equity	\$6,111,297	\$6,038,267	\$5,853,594	\$7,277,481	\$7,231,463	\$6,111,297	\$7,231,463
As Adjusted Adjustments ²⁶	-	-	-	(1,332,556)	(1,237,927)	-	(1,237,927)
As Adjusted Total Common Equity	6,111,297	6,038,267	5,853,594	5,944,925	5,993,536	6,111,297	5,993,536
Less: Goodwill	(255,421)	(255,421)	(255,421)	(255,421)	(255,421)	(255,421)	(255,421)
Less: Intangibles	(190,639)	(192,304)	(193,970)	(195,636)	(197,556)	(190,639)	(197,556)
As Adjusted Tangible Common Equity	\$5,665,237	\$5,590,542	\$5,404,203	\$5,493,868	\$5,540,559	\$5,665,237	\$5,540,559
GAAP Book Value per share	\$11.22	\$11.10	\$12.90	\$15.54	\$15.45	\$11.22	\$15.45
Less: As Adjusted Adjustments	-	-	-	(\$2.45)	(\$2.28)	-	(\$2.28)
As Adjusted Book Value per share	11.22	11.10	12.90	13.09	13.17	11.22	13.17
Less: Goodwill	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)
Less: Intangibles	(0.35)	(0.35)	(0.36)	(0.36)	(0.36)	(0.35)	(0.36)
Less: Preferred Stock	-	-	(2.14)	(2.13)	(2.13)	-	(2.13)
As Adjusted Tangible Common Equity per share	\$10.40	\$10.28	\$9.94	\$10.12	\$10.21	\$10.40	\$10.21
GAAP Total Loans	\$50,130,664	\$50,024,718	\$50,093,516	\$23,625,084	\$25,489,809	\$50,130,664	\$25,489,809
Securitization Adjustments ²⁷	NA	NA	NA	27,235,288	25,414,036	NA	25,414,036
Managed Basis	50,130,664	50,024,718	50,093,516	50,860,372	50,903,845	50,130,664	50,903,845
As Adjusted Adjustments	-	-	-	(6,226)	(7,249)	-	(7,249)
As Adjusted Total Loans	50,130,664	50,024,718	50,093,516	50,854,146	50,896,596	50,130,664	50,896,596
Less: Guaranteed portion of student loans	(2,128,446)	(2,120,231)	(1,910,889)	(1,274,453)	(889,963)	(2,128,446)	(889,963)
As Adjusted Total Loans Less: Guaranteed portion of student loans	\$48,002,218	\$47,904,487	\$48,182,627	\$49,579,693	\$50,006,633	\$48,002,218	\$50,006,633
Reserve Rate							
GAAP Basis	7.47%	7.86%	8.40%	7.44%	7.19%	7.47%	7.19%
Adjustments ²⁸	-	-	-	0.23%	0.09%	-	0.09%
As Adjusted	7.47%	7.86%	8.40%	7.67%	7.28%	7.47%	7.28%
Adjustments (to exclude guaranteed student loans)	0.33%	0.35%	0.33%	0.20%	0.13%	0.33%	0.13%
As Adjusted (excluding guaranteed student loans)	7.80%	8.21%	8.73%	7.87%	7.41%	7.80%	7.41%

Discover Financial Services
Reconciliation of GAAP to As Adjusted Data
(unaudited, dollars in thousands, except per share statistics)

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>
	<u>Nov 30, 2009</u>	<u>Aug 31, 2009</u>	<u>Aug 31, 2009</u>
Total Company			
Interest Income			
GAAP Basis	\$638,086	\$833,217	\$2,506,994
Securitization Adjustments	947,604	830,864	2,368,388
Managed Basis	1,585,690	1,664,081	4,875,382
As Adjusted Adjustments	(9,248)	(3,294)	(16,672)
As Adjusted	<u>\$1,576,442</u>	<u>\$1,660,787</u>	<u>\$4,858,710</u>
Interest Expense			
GAAP Basis	\$314,158	\$304,401	\$937,126
Securitization Adjustments	89,140	88,241	307,996
Managed Basis	403,298	392,642	1,245,122
As Adjusted Adjustments	(10,138)	(10,404)	(32,783)
As Adjusted	<u>\$393,160</u>	<u>\$382,238</u>	<u>\$1,212,339</u>
Net Interest Income			
GAAP Basis	\$323,928	\$528,816	\$1,569,868
Securitization Adjustments	858,464	742,623	2,060,392
Managed Basis	1,182,392	1,271,439	3,630,260
As Adjusted Adjustments	890	7,110	16,111
As Adjusted	<u>\$1,183,282</u>	<u>\$1,278,549</u>	<u>\$3,646,371</u>
Other Income			
GAAP Basis	\$1,253,559	\$1,315,960	\$3,587,036
Securitization Adjustments	(269,187)	(199,195)	(653,733)
Managed Basis	984,372	1,116,765	2,933,303
As Adjusted Adjustments	(434,143)	(541,048)	(1,297,468)
As Adjusted	<u>\$550,229</u>	<u>\$575,717</u>	<u>\$1,635,835</u>
Revenue Net of Interest Expense			
GAAP Basis	\$1,577,487	\$1,844,776	\$5,156,904
Securitization Adjustments	589,277	543,428	1,406,659
Managed Basis	2,166,764	2,388,204	6,563,563
As Adjusted Adjustments	(433,253)	(533,938)	(1,281,357)
As Adjusted	<u>\$1,733,511</u>	<u>\$1,854,266</u>	<u>\$5,282,206</u>
Provision for Loan Losses			
GAAP Basis	\$399,732	\$380,999	\$1,962,673
Securitization Adjustments	589,277	543,428	1,406,659
Managed Basis	989,009	924,427	3,369,332
As Adjusted Adjustments	269,252	160,782	495,437
As Adjusted	<u>\$1,258,261</u>	<u>\$1,085,209</u>	<u>\$3,864,769</u>
Other Expense			
GAAP Basis	\$118,748	\$67,634	\$215,085
As Adjusted Adjustments	(28,992)	-	-
As Adjusted	<u>\$89,756</u>	<u>\$67,634</u>	<u>\$215,085</u>
Total Other Expense			
GAAP Basis	\$607,499	\$523,838	\$1,643,589
As Adjusted Adjustments	(28,992)	-	-
As Adjusted	<u>\$578,507</u>	<u>\$523,838</u>	<u>\$1,643,589</u>
Income Before Income Taxes			
GAAP Basis	\$570,256	\$939,939	\$1,550,642
As Adjusted Adjustments	(673,513)	(694,720)	(1,776,794)
As Adjusted	<u>(\$103,257)</u>	<u>\$245,219</u>	<u>(\$226,152)</u>
Tax Expense			
GAAP Basis	\$217,719	\$362,485	\$626,994
As Adjusted Adjustments	(261,756)	(267,830)	(675,082)
As Adjusted	<u>(\$44,037)</u>	<u>\$94,655</u>	<u>(\$48,088)</u>
Net Income			
GAAP Basis	\$352,537	\$577,454	\$923,648
As Adjusted Adjustments	(411,757)	(426,890)	(1,101,712)
As Adjusted	<u>(\$59,220)</u>	<u>\$150,564</u>	<u>(\$178,064)</u>
Net Income Allocated to Common Stockholders			
GAAP Basis	\$330,505	\$552,928	\$876,506
As Adjusted Adjustments	(408,360)	(421,974)	(1,089,190)
As Adjusted	<u>(\$77,855)</u>	<u>\$130,954</u>	<u>(\$212,684)</u>

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>
	<u>Nov 30, 2009</u>	<u>Aug 31, 2009</u>	<u>Aug 31, 2009</u>
Total Company (continued)			
Total Assets			
GAAP Basis	\$46,020,987	\$42,698,290	\$42,698,290
Securitization Adjustments	26,968,289	25,096,019	25,096,019
Managed Basis	72,989,276	67,794,309	67,794,309
As Adjusted Adjustments	(5,872,917)	(3,864,789)	(3,864,789)
As Adjusted	<u>\$67,116,359</u>	<u>\$63,929,520</u>	<u>\$63,929,520</u>
Tangible Assets			
GAAP Basis	\$45,569,930	\$42,245,313	\$42,245,313
Securitization Adjustments	26,968,289	25,096,019	25,096,019
Managed Basis	72,538,219	67,341,332	67,341,332
As Adjusted Adjustments	(5,872,917)	(3,864,789)	(3,864,789)
As Adjusted	<u>\$66,665,302</u>	<u>\$63,476,543</u>	<u>\$63,476,543</u>
Total Equity			
GAAP Basis	\$8,435,547	\$8,386,202	\$8,386,202
As Adjusted Adjustments	(1,332,556)	(1,237,927)	(1,237,927)
As Adjusted	<u>\$7,102,991</u>	<u>\$7,148,275</u>	<u>\$7,148,275</u>
Allowance for Loan Losses			
GAAP Basis	\$1,757,899	\$1,832,360	\$1,832,360
As Adjusted Adjustments	2,144,461	1,875,211	1,875,211
As Adjusted	<u>\$3,902,360</u>	<u>\$3,707,571</u>	<u>\$3,707,571</u>
Change in Loan Loss Reserves			
GAAP Basis	(\$74,461)	(\$154,113)	\$457,775
As Adjusted Adjustments	269,250	160,783	495,439
As Adjusted	<u>\$194,789</u>	<u>\$6,670</u>	<u>\$953,214</u>
Loan Receivables			
Average Total Loans			
GAAP Basis	\$23,835,598	\$26,380,203	\$27,454,927
Securitization Adjustments	26,755,248	24,590,853	23,868,274
Managed Basis	50,590,846	50,971,056	51,323,201
As Adjusted Adjustments	(5,514)	(13,102)	(12,152)
As Adjusted	<u>\$50,585,332</u>	<u>\$50,957,954</u>	<u>\$51,311,049</u>
Net Charge-off Dollars			
GAAP Basis	\$474,193	\$535,112	\$1,504,898
Adjustments	589,279	543,427	1,406,657
As Adjusted	<u>\$1,063,472</u>	<u>\$1,078,539</u>	<u>\$2,911,555</u>
Loans Delinquent Over 30 Days			
GAAP Basis	\$1,161,497	\$1,237,636	\$1,237,636
Adjustments	1,539,462	1,360,788	1,360,788
As Adjusted	<u>\$2,700,959</u>	<u>\$2,598,424</u>	<u>\$2,598,424</u>
Loans Delinquent Over 90 Days			
GAAP Basis	\$608,437	\$626,793	\$626,793
Adjustments	803,342	695,640	695,640
As Adjusted	<u>\$1,411,779</u>	<u>\$1,322,433</u>	<u>\$1,322,433</u>
Direct Banking Earnings Summary			
Interest Income			
Managed	\$1,585,612	\$1,663,886	\$4,874,362
As Adjusted Adjustments	(9,248)	(3,294)	(16,672)
As Adjusted	<u>\$1,576,364</u>	<u>\$1,660,592</u>	<u>\$4,857,690</u>
Interest Expense			
Managed	\$403,266	\$392,592	\$1,244,932
As Adjusted Adjustments	(10,138)	(10,404)	(32,783)
As Adjusted	<u>\$393,128</u>	<u>\$382,188</u>	<u>\$1,212,149</u>
Net Interest Income			
Managed	\$1,182,346	\$1,271,294	\$3,629,430
As Adjusted Adjustments	890	7,110	16,111
As Adjusted	<u>\$1,183,236</u>	<u>\$1,278,404</u>	<u>\$3,645,541</u>

Discover Financial Services
Reconciliation of GAAP to As Adjusted Data
(unaudited, dollars in thousands, except per share statistics)

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>		<u>Quarter Ended</u>		<u>Nine Months Ended</u>
	<u>Nov 30, 2009</u>	<u>Aug 31, 2009</u>	<u>Aug 31, 2009</u>		<u>Nov 30, 2009</u>	<u>Aug 31, 2009</u>	<u>Aug 31, 2009</u>
Direct Banking Earnings Summary (continued)				Total Company Ratios (continued)			
Other Income				Tangible Common Equity/Net Loans			
Managed	\$924,499	\$1,055,529	\$2,753,382	GAAP Basis	31.2%	28.7%	28.7%
As Adjusted Adjustments	(434,143)	(541,048)	(1,297,468)	Adjustments	(19.5%)	(17.0%)	(17.0%)
As Adjusted	<u>\$490,356</u>	<u>\$514,481</u>	<u>\$1,455,914</u>	As Adjusted	<u>11.7%</u>	<u>11.7%</u>	<u>11.7%</u>
Revenue Net of Interest Expense				ROE			
Managed	\$2,106,845	\$2,326,823	\$6,382,812	GAAP Basis	16%	28%	17%
As Adjusted Adjustments	(433,253)	(533,938)	(1,281,357)	Adjustments	(19%)	(19%)	(21%)
As Adjusted	<u>\$1,673,592</u>	<u>\$1,792,885</u>	<u>\$5,101,455</u>	As Adjusted	<u>(3%)</u>	<u>9%</u>	<u>(4%)</u>
Provision for Loan Losses				Net Interest Margin			
Managed	\$989,009	\$924,427	\$3,369,332	GAAP Basis	5.45%	7.95%	7.62%
As Adjusted Adjustments	269,252	160,782	495,437	Adjustments	3.93%	2.00%	1.85%
As Adjusted	<u>\$1,258,261</u>	<u>\$1,085,209</u>	<u>\$3,864,769</u>	As Adjusted	<u>9.38%</u>	<u>9.95%</u>	<u>9.47%</u>
Total Other Expense				Return on Loan Receivables			
Managed	\$571,351	\$489,596	\$1,545,611	GAAP Basis	5.93%	8.68%	4.48%
As Adjusted Adjustments	(28,992)	-	-	Adjustments	(6.40%)	(7.51%)	(4.94%)
As Adjusted	<u>\$542,359</u>	<u>\$489,596</u>	<u>\$1,545,611</u>	As Adjusted	<u>(0.47%)</u>	<u>1.17%</u>	<u>(0.46%)</u>
Income Before Income Taxes				Basic EPS			
Managed	\$546,485	\$912,800	\$1,467,869	GAAP Basis	\$0.61	\$1.08	\$1.78
As Adjusted Adjustments	(673,513)	(694,720)	(1,776,794)	Adjustments	(0.75)	(0.82)	(2.21)
As Adjusted	<u>(\$127,028)</u>	<u>\$218,080</u>	<u>(\$308,925)</u>	As Adjusted	<u>(\$0.14)</u>	<u>\$0.26</u>	<u>(\$0.43)</u>
Pretax Return on Loan Receivables				Diluted EPS			
GAAP Basis	4.33%	7.10%	3.81%	GAAP Basis	\$0.60	\$1.07	\$1.78
Adjustments	(5.34%)	(5.40%)	(4.61%)	Adjustments	(0.74)	(0.82)	(2.21)
As Adjusted	<u>(1.01%)</u>	<u>1.70%</u>	<u>(0.80%)</u>	As Adjusted	<u>(\$0.14)</u>	<u>\$0.25</u>	<u>(\$0.43)</u>
Credit Card Loan Receivables				Loan Receivables Ratios			
Credit Card Loans				Interest Yield			
GAAP Basis	\$20,230,302	\$22,721,603	\$22,721,603	GAAP Basis	10.25%	12.10%	11.62%
Securitization Adjustments	27,235,288	25,414,036	25,414,036	Adjustments	2.10%	0.69%	0.79%
Managed Basis	47,465,590	48,135,639	48,135,639	As Adjusted	<u>12.35%</u>	<u>12.79%</u>	<u>12.41%</u>
As Adjusted Adjustments	(6,226)	(7,249)	(7,249)	Net Principal Charge-off Rate			
As Adjusted	<u>\$47,459,364</u>	<u>\$48,128,390</u>	<u>\$48,128,390</u>	GAAP Basis	7.98%	8.05%	7.30%
Average Credit Card Loans				Adjustments	0.45%	0.35%	0.26%
GAAP Basis	\$20,674,527	\$24,051,037	\$25,459,830	As Adjusted	<u>8.43%</u>	<u>8.40%</u>	<u>7.56%</u>
Securitization Adjustments	26,755,248	24,590,853	23,868,274	Delinquency Rate (over 30 days)			
Managed Basis	47,429,775	48,641,890	49,328,104	GAAP Basis	4.92%	4.86%	4.86%
As Adjusted Adjustments	(5,514)	(13,101)	(12,152)	Adjustments	0.39%	0.25%	0.25%
As Adjusted	<u>\$47,424,261</u>	<u>\$48,628,789</u>	<u>\$49,315,952</u>	As Adjusted	<u>5.31%</u>	<u>5.11%</u>	<u>5.11%</u>
Net Charge-off Dollars				Delinquency Rate (over 90 days)			
GAAP Basis	\$451,970	\$514,185	\$1,458,987	GAAP Basis	2.58%	2.46%	2.46%
Adjustments	589,278	543,428	1,406,658	Adjustments	0.20%	0.14%	0.14%
As Adjusted	<u>\$1,041,247</u>	<u>\$1,057,613</u>	<u>\$2,865,646</u>	As Adjusted	<u>2.78%</u>	<u>2.60%</u>	<u>2.60%</u>
Loans Delinquent Over 30 Days				Credit Card Ratios			
GAAP Basis	\$1,117,228	\$1,196,455	\$1,196,455	Interest Yield			
Adjustments	1,539,461	1,360,788	1,360,788	GAAP Basis	10.86%	12.56%	11.91%
As Adjusted	<u>\$2,656,689</u>	<u>\$2,557,243</u>	<u>\$2,557,243</u>	Adjustments	1.90%	0.49%	0.68%
Loans Delinquent Over 90 Days				As Adjusted	<u>12.76%</u>	<u>13.05%</u>	<u>12.59%</u>
GAAP Basis	\$590,132	\$613,998	\$613,998	Net Principal Charge-off Rate			
Adjustments	803,342	695,640	695,640	GAAP Basis	8.77%	8.48%	7.63%
As Adjusted	<u>\$1,393,474</u>	<u>\$1,309,638</u>	<u>\$1,309,638</u>	Adjustments	0.04%	0.15%	0.11%
Total Company Ratios				As Adjusted	<u>8.81%</u>	<u>8.63%</u>	<u>7.74%</u>
Effective Tax Rate				Delinquency Rate (over 30 days)			
GAAP Basis	38.2%	38.6%	40.4%	GAAP Basis	5.52%	5.27%	5.27%
Adjustments	4.5%	-	(19.2%)	Adjustments	0.08%	0.04%	0.04%
As Adjusted	<u>42.6%</u>	<u>38.6%</u>	<u>21.3%</u>	As Adjusted	<u>5.60%</u>	<u>5.31%</u>	<u>5.31%</u>
Tangible Common Equity/Tangible Assets				Delinquency Rate (over 90 days)			
GAAP Basis	15.0%	16.0%	16.0%	GAAP Basis	2.92%	2.70%	2.70%
Adjustments	(6.8%)	(7.3%)	(7.3%)	Adjustments	0.02%	0.02%	0.02%
As Adjusted	<u>8.2%</u>	<u>8.7%</u>	<u>8.7%</u>	As Adjusted	<u>2.94%</u>	<u>2.72%</u>	<u>2.72%</u>

¹ GAAP data is presented in accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("FAS") No. 140 for quarters ended August 31, 2009 and November 30, 2009. GAAP data for the quarters beginning February 28, 2010 is presented in accordance with FAS No. 166, Accounting for Transfers of Financial Assets – an amendment of FAS No. 140 and FAS No. 167, Amendments to FASB Interpretations No. 46(R), which were effective for the Company at the beginning of its current fiscal year, December 1, 2009.

² The quarters ended August 31, 2009 and November 30, 2009 include \$472 million pre-tax (estimated \$287 million after-tax), and \$472 million (estimated \$285 million after-tax), respectively related to anti-trust litigation settlement.

³ Net Income Allocated to Common Stockholders represents net income less (i) dividends and accretion of discount on shares of preferred stock and (ii) income allocated to participating securities.

⁴ Effective Tax Rate represents tax expense divided by income before income taxes.

⁵ Tangible Assets represents total assets less goodwill and intangibles.

⁶ Net Loans represents total loans less the allowance for loan loss (period end).

⁷ Book Value per share represents total equity divided by ending common shares outstanding.

⁸ Return on Equity represents net income (annualized) divided by average total equity for the reporting period.

⁹ Reserve Rate represents the allowance for loan losses divided by total loans. The Reserve Rate includes federal student loans held for sale.

¹⁰ Earnings Per Share represents net income allocated to common stockholders divided by the weighted average common shares outstanding.

¹¹ Interest Yield represents interest income on loan receivables (annualized) divided by average loans for the reporting period.

¹² Net Principal Charge-off Rate represents net principal charge-off dollars (annualized) divided by average loans for the reporting period.

¹³ Delinquency Rate (Over 30 Days) represents loans delinquent over thirty days divided by ending loans (total or credit card loans, as appropriate).

¹⁴ Delinquency Rate (Over 90 Days) represents loans delinquent over ninety days divided by ending loans (total or credit card loans, as appropriate).

¹⁵ 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.

¹⁶ Gross proprietary sales volume on the Discover Network.

¹⁷ Tangible common equity ("TCE"), a non-GAAP financial measure, represents total common equity less goodwill and intangibles. The Company believes TCE is a more meaningful valuation to investors of the net asset value of the Company. For corresponding reconciliation of TCE to a GAAP financial measure, see Reconciliation of GAAP to As Adjusted data schedule.

¹⁸ Tangible Common Equity/Tangible Assets, a non-GAAP measure, represents total common equity less goodwill and intangibles divided by total assets less goodwill and intangibles.

¹⁹ Tangible Common Equity/Net Loans, a non-GAAP measure, represents total common equity less goodwill and intangibles divided by total loans less the allowance for loan loss (period end).

²⁰ Tangible Common Equity per Share, a non-GAAP measure, represents total common equity less goodwill and intangibles divided by ending common shares outstanding.

²¹ Net Interest Margin (formerly referred to as Net Yield on Loan Receivables) represents net interest income (annualized) divided by average total loans for the period.

²² Return on Loan Receivables represents net income (annualized) divided by average total loans for the period.

²³ Reserve Rate (excluding guaranteed student loans), a non-GAAP financial measure, represents the allowance for loan losses as a percentage of total loans excluding guaranteed student loans. The Company believes that a reserve rate excluding the government guaranteed portion of student loans is a more meaningful valuation to investors of the portion of the portfolio that has a risk of loss. For a corresponding reconciliation of loans excluding the guaranteed portion of student loans to a GAAP financial measure, see Reconciliation of GAAP to As Adjusted data schedule.

²⁴ Managed basis assumes that loans that have been securitized were not sold and presents financial information regarding these loans in a manner similar to the presentation of financial information regarding loans that have not been sold.

²⁵ Pretax Return on Loan Receivables represents income before income taxes (annualized) divided by average total loans for the period.

²⁶ As adjusted adjustments include additional amounts necessary to reflect results as if the trusts used in our securitization activities had been fully consolidated in our historical results. Also included are adjustments to exclude the impact of income received in connection with the settlement of the Company's antitrust litigation with Visa and MasterCard in each quarter of 2009 and the income statement impact of the Morgan Stanley special dividend agreement dispute in the fourth quarter of 2009.

²⁷ Securitization Adjustments reverse the effect of loan securitization by recharacterizing securitization income to report interest income, interest expense, provision for loan losses, discount and interchange revenue and loan fee revenues in the same lines as non-securitized loans. Beginning December 1, 2009, securitization adjustments are no longer applicable as the trust assets are consolidated in GAAP reporting.

²⁸ Adjustments represent the difference between GAAP basis and As Adjusted basis.