

**Discover Financial Services**
**GAAP Basis**

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

|   | Quarter Ended |              |              |              |              | Feb 28, 2009    |       |
|---|---------------|--------------|--------------|--------------|--------------|-----------------|-------|
|   | Feb 28, 2009  | Nov 30, 2008 | Aug 31, 2008 | May 31, 2008 | Feb 29, 2008 | vs Feb 29, 2008 |       |
| <b>Earnings Summary</b>                                     |               |              |              |              |              |                 |       |
| Interest Income   | \$815,793     | \$736,006    | \$681,692    | \$612,063    | \$662,802    | \$152,991       | 23%   |
| Interest Expense  | 312,720       | 329,672      | 305,643      | 313,248      | 339,441      | (26,721)        | (8%)  |
| Net Interest Income   | 503,073       | 406,334      | 376,049      | 298,815      | 323,361      | 179,712         | 56%   |
| Other Income <sup>1</sup>                                   | 1,189,956     | 1,568,901    | 875,121      | 844,892      | 975,544      | 214,412         | 22%   |
| Revenue Net of Interest Expense                             | 1,693,029     | 1,975,235    | 1,251,170    | 1,143,707    | 1,298,905    | 394,124         | 30%   |
| Provision for Loan Losses                                   | 937,813       | 714,176      | 364,838      | 210,969      | 305,632      | 632,181         | NM    |
| Employee Compensation and Benefits                          | 219,488       | 187,306      | 222,426      | 218,290      | 217,370      | 2,118           | 1%    |
| Marketing and Business Development                          | 111,433       | 119,382      | 137,928      | 132,038      | 141,553      | (30,120)        | (21%) |
| Information Processing & Communications                     | 74,897        | 81,543       | 76,675       | 79,449       | 78,276       | (3,379)         | (4%)  |
| Professional Fees   | 70,123        | 111,645      | 82,775       | 81,392       | 73,672       | (3,549)         | (5%)  |
| Premises and Equipment                                      | 18,072        | 20,676       | 20,274       | 19,803       | 19,641       | (1,569)         | (8%)  |
| Other Expense   | 65,110        | 73,530       | 72,469       | 75,853       | 71,831       | (6,721)         | (9%)  |
| Total Other Expense   | 559,123       | 594,082      | 612,547      | 606,825      | 602,343      | (43,220)        | (7%)  |
| Income (Loss) Before Income Taxes <sup>1</sup>              | 196,093       | 666,977      | 273,785      | 325,913      | 390,930      | (194,837)       | (50%) |
| Tax Expense   | 75,699        | 223,336      | 94,885       | 124,370      | 152,101      | (76,402)        | (50%) |
| Income From Continuing Operations <sup>1</sup>              | 120,394       | 443,641      | 178,900      | 201,543      | 238,829      | (118,435)       | (50%) |
| Discontinued Operations, Net of Tax <sup>2</sup>            | 0             | (11,306)     | 1,153        | 32,605       | (157,615)    | 157,615         | 100%  |
| Net Income (Loss) <sup>1,2</sup>                            | \$120,394     | \$432,335    | \$180,053    | \$234,148    | \$81,214     | \$39,180        | 48%   |
| Effective Tax Rate From Continuing Operations               | 38.6%         | 33.5%        | 34.7%        | 38.2%        | 38.9%        |                 |       |
| <b>Balance Sheet Statistics <sup>3</sup></b>                |               |              |              |              |              |                 |       |
| Total Assets  | \$40,605,873  | \$39,892,382 | \$37,283,548 | \$34,020,245 | \$34,222,732 | \$6,383,141     | 19%   |
| Total Equity  | \$5,998,706   | \$5,915,823  | \$6,000,393  | \$5,849,691  | \$5,654,341  | \$344,365       | 6%    |
| Total Tangible Common Equity                                | \$5,541,887   | \$5,457,083  | \$5,539,274  | \$5,538,240  | \$5,341,020  | \$200,867       | 4%    |
| Tangible Common Equity/Total Owned Assets <sup>4</sup>      | 13.8%         | 13.8%        | 15.0%        | 16.4%        | 15.8%        |                 |       |
| ROE <sup>1,2</sup>  | 8%            | 29%          | 12%          | 16%          | 6%           |                 |       |
| ROE from Continuing Operations <sup>1</sup>                 | 8%            | 30%          | 12%          | 14%          | 17%          |                 |       |
| Allowance for Loan Loss (period end)                        | \$1,878,942   | \$1,374,585  | \$959,769    | \$846,775    | \$860,378    | \$1,018,564     | 118%  |
| Change in Loan Loss Reserves                                | \$504,357     | \$414,816    | \$112,994    | (\$13,603)   | \$100,453    | \$403,904       | NM    |
| Reserve Rate  | 6.70%         | 5.45%        | 4.41%        | 4.28%        | 4.16%        | 254             | bps   |
| Interest-only Strip Receivable (period end)                 | \$198,536     | \$300,120    | \$408,649    | \$447,994    | \$468,059    | (\$269,523)     | (58%) |
| Net Revaluation of Retained Interests                       | (\$98,242)    | (\$116,335)  | (\$33,513)   | (\$44,473)   | \$74,997     | (\$173,239)     | NM    |
| <b>Per Share Statistics</b>                                 |               |              |              |              |              |                 |       |
| Basic EPS <sup>1,2</sup>                                    | \$0.25        | \$0.90       | \$0.38       | \$0.49       | \$0.17       | \$0.08          | 47%   |
| Basic EPS from Continuing Operations <sup>1</sup>           | \$0.25        | \$0.92       | \$0.38       | \$0.42       | \$0.50       | (\$0.25)        | (50%) |
| Diluted EPS <sup>1,2</sup>                                  | \$0.25        | \$0.89       | \$0.37       | \$0.48       | \$0.17       | \$0.08          | 47%   |
| Diluted EPS from Continuing Operations <sup>1</sup>         | \$0.25        | \$0.92       | \$0.37       | \$0.42       | \$0.50       | (\$0.25)        | (50%) |
| Stock Price (period end)                                    | \$5.73        | \$10.23      | \$16.45      | \$17.15      | \$15.09      | (\$9.36)        | (62%) |
| Tangible Common Equity                                      | \$11.51       | \$11.37      | \$11.55      | \$11.55      | \$11.15      | \$0.36          | 3%    |
| Book Value  | \$12.46       | \$12.32      | \$12.51      | \$12.20      | \$11.80      | \$0.66          | 6%    |
| Ending Shares Outstanding (000's)                           | 481,459       | 479,987      | 479,764      | 479,346      | 479,127      | 2,332           | 0%    |
| Weighted Average Shares Outstanding (000's)                 | 480,497       | 479,931      | 479,618      | 479,270      | 478,518      | 1,979           | 0%    |
| Weighted Average Shares Outstanding (fully diluted) (000's) | 485,043       | 484,558      | 484,128      | 483,753      | 481,744      | 3,299           | 1%    |
| <b>Loan Receivables <sup>3</sup></b>                        |               |              |              |              |              |                 |       |
| Total Loans - Owned   | \$28,034,208  | \$25,216,611 | \$21,767,483 | \$20,502,063 | \$21,042,681 | \$6,991,527     | 33%   |
| Average Total Loans - Owned                                 | \$27,733,143  | \$22,945,494 | \$21,053,804 | \$19,890,330 | \$21,523,606 | \$6,209,537     | 29%   |
| Interest Yield  | 11.24%        | 11.36%       | 11.41%       | 10.40%       | 10.34%       | 90              | bps   |
| Net Principal Charge-off Rate                               | 6.34%         | 5.25%        | 4.76%        | 4.49%        | 3.83%        | 251             | bps   |
| Delinquency Rate (over 30 days)                             | 5.04%         | 4.35%        | 3.58%        | 3.54%        | 3.63%        | 141             | bps   |
| Delinquency Rate (over 90 days)                             | 2.57%         | 2.06%        | 1.73%        | 1.81%        | 1.82%        | 75              | bps   |
| <b>Transactions Processed on Networks (000's)</b>           |               |              |              |              |              |                 |       |
| Discover Network  | 369,647       | 377,356      | 388,504      | 370,596      | 378,912      | (9,265)         | (2%)  |
| PULSE Network   | 686,527       | 644,045      | 713,791      | 703,404      | 621,072      | 65,455          | 11%   |
| Total   | 1,056,174     | 1,021,401    | 1,102,295    | 1,074,000    | 999,984      | 56,190          | 6%    |
| <b>Volume</b>   |               |              |              |              |              |                 |       |
| PULSE Network   | \$27,454,173  | \$25,033,235 | \$28,364,575 | \$27,830,403 | \$24,783,895 | \$2,670,278     | 11%   |
| Third-Party Issuers   | 1,362,446     | 1,538,013    | 1,711,617    | 1,603,006    | 1,545,943    | (183,497)       | (12%) |
| Diners Club International <sup>5</sup>                      | 6,293,574     | 7,457,893    | 5,227,795    | -            | -            | 6,293,574       | NM    |
| Total Third-Party Payments                                  | 35,110,193    | 34,029,141   | 35,303,987   | 29,433,409   | 26,329,838   | 8,780,355       | 33%   |
| Discover Network - Proprietary <sup>6</sup>                 | 22,424,367    | 22,875,272   | 25,117,321   | 23,621,519   | 24,074,331   | (1,649,964)     | (7%)  |
| Total   | \$57,534,560  | \$56,904,413 | \$60,421,308 | \$53,054,928 | \$50,404,169 | \$7,130,391     | 14%   |

<sup>1</sup> The quarter ended November 30, 2008 and February 28, 2009 include \$863 million pre-tax (estimated \$535 million after-tax) and \$475 million pre-tax (estimated \$297 million after-tax), respectively related to the antitrust settlement.

<sup>2</sup> The quarter ended May 31, 2008 includes income from discontinued operations, net of tax of \$32.6 million consisting of a \$21 million gain related to disposition of the Goldfish business and income of \$12 million related to the Goldfish business operations. The quarter ended February 29, 2008 includes a loss from discontinued operations, net of tax of \$158 million consisting of a \$172 million loss related to reflecting the Goldfish business as held for sale and income of \$14 million related to the Goldfish business operations.

<sup>3</sup> Based on Continuing Operations except equity and ROE. Equity is based on company's equity.

<sup>4</sup> Represents common equity less goodwill and intangibles divided by total assets less goodwill and intangibles.

<sup>5</sup> 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.

<sup>6</sup> Gross proprietary sales volume on the Discover Network.

**Discover Financial Services**  
**Managed Basis**<sup>1</sup>  
(unaudited, dollars in thousands)

|  | Quarter Ended |              |              |              |              | Feb 28, 2009    |       |
|--|---------------|--------------|--------------|--------------|--------------|-----------------|-------|
|  | Feb 28, 2009  | Nov 30, 2008 | Aug 31, 2008 | May 31, 2008 | Feb 29, 2008 | vs Feb 29, 2008 |       |
| <b>Earnings Summary</b>                                  |               |              |              |              |              |                 |       |
| Interest Income  | \$1,603,849   | \$1,682,267  | \$1,638,250  | \$1,572,697  | \$1,652,615  | (\$48,766)      | (3%)  |
| Interest Expense   | 438,417       | 602,450      | 534,887      | 550,629      | 668,953      | (230,536)       | (34%) |
| Net Interest Income                                      | 1,165,432     | 1,079,817    | 1,103,363    | 1,022,068    | 983,662      | 181,770         | 18%   |
| Other Income <sup>2</sup>                                | 923,457       | 1,287,213    | 536,997      | 492,207      | 636,679      | 286,778         | 45%   |
| Revenue Net of Interest Expense                          | 2,088,889     | 2,367,030    | 1,640,360    | 1,514,275    | 1,620,341    | 468,548         | 29%   |
| Provision for Loan Losses                                | 1,333,673     | 1,105,971    | 754,028      | 581,537      | 627,068      | 706,605         | 113%  |
| Employee Compensation and Benefits                       | 219,488       | 187,306      | 222,426      | 218,290      | 217,370      | 2,118           | 1%    |
| Marketing and Business Development                       | 111,433       | 119,382      | 137,928      | 132,038      | 141,553      | (30,120)        | (21%) |
| Information Processing & Communications                  | 74,897        | 81,543       | 76,675       | 79,449       | 78,276       | (3,379)         | (4%)  |
| Professional Fees  | 70,123        | 111,645      | 82,775       | 81,392       | 73,672       | (3,549)         | (5%)  |
| Premises and Equipment                                   | 18,072        | 20,676       | 20,274       | 19,803       | 19,641       | (1,569)         | (8%)  |
| Other Expense  | 65,110        | 73,530       | 72,469       | 75,853       | 71,831       | (6,721)         | (9%)  |
| Total Other Expense                                      | 559,123       | 594,082      | 612,547      | 606,825      | 602,343      | (43,220)        | (7%)  |
| Income (Loss) Before Income Taxes <sup>2</sup>           | 196,093       | 666,977      | 273,785      | 325,913      | 390,930      | (194,837)       | (50%) |
| Tax Expense  | 75,699        | 223,336      | 94,885       | 124,370      | 152,101      | (76,402)        | (50%) |
| Income From Continuing Operations <sup>2</sup>           | 120,394       | 443,641      | 178,900      | 201,543      | 238,829      | (118,435)       | (50%) |
| Discontinued Operations, Net of Tax <sup>2,3</sup>       | 0             | (11,306)     | 1,153        | 32,605       | (157,615)    | 157,615         | 100%  |
| Net Income (Loss) <sup>2,3</sup>                         | \$120,394     | \$432,335    | \$180,053    | \$234,148    | \$81,214     | \$39,180        | 48%   |
| <b>Balance Sheet Statistics</b> <sup>4</sup>             |               |              |              |              |              |                 |       |
| Total Assets   | \$63,231,013  | \$65,620,476 | \$65,632,825 | \$62,148,577 | \$61,937,501 | \$1,293,512     | 2%    |
| Total Equity <sup>5</sup>                                | \$5,998,706   | \$5,915,823  | \$6,000,393  | \$5,849,691  | \$5,654,341  | \$344,365       | 6%    |
| Total Tangible Common Equity <sup>5</sup>                | \$5,541,887   | \$5,457,083  | \$5,539,274  | \$5,538,240  | \$5,341,020  | \$200,867       | 4%    |
| Tangible Common Equity/Net Managed Receivables           | 11.3%         | 11.0%        | 11.2%        | 11.8%        | 11.5%        |                 |       |
| Tangible Common Equity/Total Managed Assets <sup>6</sup> | 8.8%          | 8.4%         | 8.5%         | 9.0%         | 8.7%         |                 |       |
| Net Yield on Loan Receivables                            | 9.11%         | 8.56%        | 8.95%        | 8.57%        | 8.10%        | 101 bps         |       |
| Return on Loan Receivables <sup>2</sup>                  | 0.94%         | 3.52%        | 1.45%        | 1.69%        | 1.97%        | (103) bps       |       |
| <b>Loan Receivables</b> <sup>4</sup>                     |               |              |              |              |              |                 |       |
| Total Loans - Managed                                    | \$50,888,704  | \$51,095,278 | \$50,427,305 | \$47,841,491 | \$47,500,410 | \$3,388,294     | 7%    |
| Average Total Loans - Managed                            | \$51,877,845  | \$50,707,090 | \$49,019,083 | \$47,472,077 | \$48,863,166 | \$3,014,679     | 6%    |
| Managed Interest Yield                                   | 12.17%        | 12.65%       | 12.67%       | 12.41%       | 12.70%       | (53) bps        |       |
| Managed Net Principal Charge-off Rate                    | 6.48%         | 5.48%        | 5.20%        | 4.99%        | 4.33%        | 215 bps         |       |
| Managed Delinquency Rate (over 30 days)                  | 5.25%         | 4.56%        | 3.85%        | 3.81%        | 3.90%        | 135 bps         |       |
| Managed Delinquency Rate (over 90 days)                  | 2.69%         | 2.17%        | 1.88%        | 1.96%        | 1.96%        | 73 bps          |       |
| Total Discover Card Volume                               | \$23,964,577  | \$25,318,553 | \$28,611,680 | \$25,596,794 | \$26,207,028 | (\$2,242,451)   | (9%)  |
| Discover Card Sales Volume                               | \$21,293,757  | \$22,025,264 | \$24,601,611 | \$22,457,651 | \$23,155,253 | (\$1,861,496)   | (8%)  |
| <b>Segment - Income Before Income Taxes</b>              |               |              |              |              |              |                 |       |
| U.S. Card  | \$167,167     | \$646,427    | \$245,241    | \$309,123    | \$375,403    | (\$208,236)     | (55%) |
| Third-Party Payments                                     | 28,926        | 20,550       | 28,544       | 16,790       | 15,527       | 13,399          | 86%   |
| Total  | \$196,093     | \$666,977    | \$273,785    | \$325,913    | \$390,930    | (\$194,837)     | (50%) |

<sup>1</sup> Managed basis assumes loans that have been securitized were not sold and presents earnings and statistical information on these loans in a manner similar to the way loans that have not been sold are presented. See Reconciliation of GAAP to Managed Data schedule.

<sup>2</sup> The quarter ended November 30, 2008 and February 28, 2009 include \$863 million pre-tax (estimated \$535 million after-tax) and \$475 million pre-tax (estimated \$297 million after-tax), respectively related to the antitrust settlement.

<sup>3</sup> The quarter ended May 31, 2008 includes income from discontinued operations, net of tax of \$32.6 million consisting of a \$21 million gain related to disposition of the Goldfish business and income of \$12 million related to the Goldfish business operations. The quarter ended February 29, 2008 includes a loss from discontinued operations, net of tax of \$158 million consisting of a \$172 million loss related to reflecting the Goldfish business as held for sale and income of \$14 million related to the Goldfish business operations.

<sup>4</sup> Based on Continuing Operations. Equity is based on company's equity.

<sup>5</sup> Balance on a GAAP and Managed basis is the same.

<sup>6</sup> Represents common equity less goodwill and intangibles divided by total assets less goodwill and intangibles.

**Discover Financial Services**  
**U.S. Card Segment**  
**Managed Basis<sup>1</sup>**  
**(unaudited, dollars in thousands)**

|  | Quarter Ended |              |              |              |              | Feb 28, 2009    |       |
|--|---------------|--------------|--------------|--------------|--------------|-----------------|-------|
|  | Feb 28, 2009  | Nov 30, 2008 | Aug 31, 2008 | May 31, 2008 | Feb 29, 2008 | vs Feb 29, 2008 |       |
| <b>Earnings Summary</b>                        |               |              |              |              |              |                 |       |
| Interest Income                                | \$1,603,362   | \$1,680,925  | \$1,637,588  | \$1,572,164  | \$1,651,987  | (\$48,625)      | (3%)  |
| Interest Expense                               | 438,338       | 602,386      | 534,870      | 550,629      | 668,951      | (230,613)       | (34%) |
| Net Interest Income                            | 1,165,024     | 1,078,539    | 1,102,718    | 1,021,535    | 983,036      | 181,988         | 19%   |
| Other Income <sup>2</sup>                      | 863,223       | 1,234,100    | 482,311      | 455,074      | 602,411      | 260,812         | 43%   |
| Revenue Net of Interest Expense                | 2,028,247     | 2,312,639    | 1,585,029    | 1,476,609    | 1,585,447    | 442,800         | 28%   |
| Provision for Loan Losses                      | 1,333,673     | 1,105,971    | 754,028      | 581,537      | 627,068      | 706,605         | 113%  |
| Total Other Expense                            | 527,407       | 560,241      | 585,760      | 585,949      | 582,976      | (55,569)        | (10%) |
| Income (Loss) Before Income Taxes <sup>2</sup> | \$167,167     | \$646,427    | \$245,241    | \$309,123    | \$375,403    | (\$208,236)     | (55%) |
| Net Yield on Loan Receivables                  | 9.11%         | 8.55%        | 8.95%        | 8.56%        | 8.09%        | 102 bps         |       |
| Pretax Return on Loan Receivables <sup>2</sup> | 1.31%         | 5.13%        | 1.99%        | 2.59%        | 3.09%        | (178) bps       |       |
| <b>Loan Receivables</b>                        |               |              |              |              |              |                 |       |
| Total Loans                                    | \$50,888,704  | \$51,095,278 | \$50,427,305 | \$47,841,491 | \$47,500,410 | \$3,388,294     | 7%    |
| Average Total Loans                            | \$51,877,845  | \$50,707,090 | \$49,019,083 | \$47,472,077 | \$48,863,166 | \$3,014,679     | 6%    |
| Managed Interest Yield                         | 12.17%        | 12.65%       | 12.67%       | 12.41%       | 12.70%       | (53) bps        |       |
| Managed Net Principal Charge-off Rate          | 6.48%         | 5.48%        | 5.20%        | 4.99%        | 4.33%        | 215 bps         |       |
| Managed Delinquency Rate (over 30 days)        | 5.25%         | 4.56%        | 3.85%        | 3.81%        | 3.90%        | 135 bps         |       |
| Managed Delinquency Rate (over 90 days)        | 2.69%         | 2.17%        | 1.88%        | 1.96%        | 1.96%        | 73 bps          |       |
| <b>Credit Card Loans</b>                       |               |              |              |              |              |                 |       |
| Credit Card Loans - Managed                    | \$49,011,177  | \$49,692,974 | \$49,348,507 | \$47,124,842 | \$47,014,539 | \$1,996,638     | 4%    |
| Average Credit Card Loans - Managed            | \$50,254,235  | \$49,420,412 | \$48,168,124 | \$46,857,480 | \$48,487,812 | \$1,766,423     | 4%    |
| Managed Interest Yield                         | 12.28%        | 12.72%       | 12.70%       | 12.43%       | 12.72%       | (44) bps        |       |
| Managed Net Principal Charge-off Rate          | 6.61%         | 5.59%        | 5.28%        | 5.05%        | 4.37%        | 224 bps         |       |
| Managed Delinquency Rate (over 30 days)        | 5.41%         | 4.66%        | 3.92%        | 3.85%        | 3.93%        | 148 bps         |       |
| Managed Delinquency Rate (over 90 days)        | 2.78%         | 2.22%        | 1.92%        | 1.99%        | 1.98%        | 80 bps          |       |
| Total Discover Card Volume                     | \$23,964,577  | \$25,318,553 | \$28,611,680 | \$25,596,794 | \$26,207,028 | (\$2,242,451)   | (9%)  |
| Discover Card Sales Volume                     | \$21,293,757  | \$22,025,264 | \$24,601,611 | \$22,457,651 | \$23,155,253 | (\$1,861,496)   | (8%)  |

<sup>1</sup> Managed basis assumes loans that have been securitized were not sold and presents earnings and statistical information on these loans in a manner similar to the way loans that have not been sold are presented. See Reconciliation of GAAP to Managed Data schedule.

<sup>2</sup> The quarter ended November 30, 2008 and February 28, 2009 include \$863 million pre-tax (estimated \$535 million after-tax) and \$475 million pre-tax (estimated \$297 million after-tax), respectively related to the antitrust settlement.

**Discover Financial Services**  
**Third-Party Payments Segment**  
**(unaudited, dollars in thousands)**

|   | Quarter Ended |              |              |              |              | Feb 28, 2009    |       |
|---|---------------|--------------|--------------|--------------|--------------|-----------------|-------|
|   | Feb 28, 2009  | Nov 30, 2008 | Aug 31, 2008 | May 31, 2008 | Feb 29, 2008 | vs Feb 29, 2008 |       |
| <b>Earnings Summary</b>                         |               |              |              |              |              |                 |       |
| Interest Income                                 | \$487         | \$1,342      | \$662        | \$533        | \$628        | (\$141)         | (22%) |
| Interest Expense                                | 79            | 64           | 17           | -            | 2            | 77              | 100%  |
| Net Interest Income                             | 408           | 1,278        | 645          | 533          | 626          | (218)           | (35%) |
| Other Income                                    | 60,234        | 53,113       | 54,686       | 37,133       | 34,268       | 25,966          | 76%   |
| Revenue Net of Interest Expense                 | 60,642        | 54,391       | 55,331       | 37,666       | 34,894       | 25,748          | 74%   |
| Provision for Loan Losses                       | -             | -            | -            | -            | -            | -               | 0%    |
| Total Other Expense                             | 31,716        | 33,841       | 26,787       | 20,876       | 19,367       | 12,349          | 64%   |
| Income (Loss) Before Income Taxes               | \$28,926      | \$20,550     | \$28,544     | \$16,790     | \$15,527     | \$13,399        | 86%   |
| <b>Volume</b>                                   |               |              |              |              |              |                 |       |
| PULSE Network                                   | \$27,454,173  | \$25,033,235 | \$28,364,575 | \$27,830,403 | \$24,783,895 | \$2,670,278     | 11%   |
| Third-Party Issuers                             | 1,362,446     | 1,538,013    | 1,711,617    | 1,603,006    | 1,545,943    | (183,497)       | (12%) |
| Diners Club International <sup>1</sup>          | 6,293,574     | 7,457,893    | 5,227,795    | -            | -            | 6,293,574       | NM    |
| Total Third-Party Payments                      | \$35,110,193  | \$34,029,141 | \$35,303,987 | \$29,433,409 | \$26,329,838 | \$8,780,355     | 33%   |
| Transactions Processed on PULSE Network (000's) | 686,527       | 644,045      | 713,791      | 703,404      | 621,072      | 65,455          | 11%   |

<sup>1</sup> Volume is derived from data provided by licensees for Diners Club branded cards issued outside of North America and is subject to subsequent revision or amendment.

## **DISCOVER FINANCIAL SERVICES**

### **RECONCILIATION OF GAAP TO MANAGED DATA**

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

The data is presented on both a "managed" loan basis and as reported under generally accepted accounting principles ("owned" loan basis). Managed loan data assume that the company's securitized loan receivables have not been sold and presents the results of securitized loan receivables in the same manner as the company's owned loans. The company operates its business and analyzes its financial performance on a managed basis. Accordingly, underwriting and servicing standards are comparable for both owned and securitized loans. The company believes that managed loan information is useful to investors because it provides information regarding the quality of loan origination and credit performance of the entire managed portfolio and allows investors to understand the related credit risks inherent in owned loans and retained interests in securitizations. Managed loan data is also relevant because the company services the securitized and owned loans, and the related accounts, in the same manner without regard to ownership of the loans. In addition, investors often request information on a managed basis which provides a more meaningful comparison to industry competitors.

**Discover Financial Services**  
**Reconciliation of GAAP to Managed Data** <sup>1</sup>  
(unaudited, dollars in thousands)

|   | Quarter Ended       |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | Feb 28, 2009        | Nov 30, 2008        | Aug 31, 2008        | May 31, 2008        | Feb 29, 2008        |
| Interest Income                         |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$815,793           | \$736,006           | \$681,692           | \$612,063           | \$662,802           |
| Securitization Adjustments <sup>1</sup> | 788,056             | 946,261             | 956,558             | 960,634             | 989,813             |
| Managed Basis                           | <u>\$1,603,849</u>  | <u>\$1,682,267</u>  | <u>\$1,638,250</u>  | <u>\$1,572,697</u>  | <u>\$1,652,615</u>  |
| Interest Expense                        |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$312,720           | \$329,672           | \$305,643           | \$313,248           | \$339,441           |
| Securitization Adjustments              | 125,697             | 272,778             | 229,244             | 237,381             | 329,512             |
| Managed Basis                           | <u>\$438,417</u>    | <u>\$602,450</u>    | <u>\$534,887</u>    | <u>\$550,629</u>    | <u>\$668,953</u>    |
| Net Interest Income                     |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$503,073           | \$406,334           | \$376,049           | \$298,815           | \$323,361           |
| Securitization Adjustments              | 662,359             | 673,483             | 727,314             | 723,253             | 660,301             |
| Managed Basis                           | <u>\$1,165,432</u>  | <u>\$1,079,817</u>  | <u>\$1,103,363</u>  | <u>\$1,022,068</u>  | <u>\$983,662</u>    |
| Other Income                            |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$1,189,956         | \$1,568,901         | \$875,121           | \$844,892           | \$975,544           |
| Securitization Adjustments              | (266,499)           | (281,688)           | (338,124)           | (352,685)           | (338,865)           |
| Managed Basis                           | <u>\$923,457</u>    | <u>\$1,287,213</u>  | <u>\$536,997</u>    | <u>\$492,207</u>    | <u>\$636,679</u>    |
| Revenue Net of Interest Expense         |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$1,693,029         | \$1,975,235         | \$1,251,170         | \$1,143,707         | \$1,298,905         |
| Securitization Adjustments              | 395,860             | 391,795             | 389,190             | 370,568             | 321,436             |
| Managed Basis                           | <u>\$2,088,889</u>  | <u>\$2,367,030</u>  | <u>\$1,640,360</u>  | <u>\$1,514,275</u>  | <u>\$1,620,341</u>  |
| Provision for Loan Losses               |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$937,813           | \$714,176           | \$364,838           | \$210,969           | \$305,632           |
| Securitization Adjustments              | 395,860             | 391,795             | 389,190             | 370,568             | 321,436             |
| Managed Basis                           | <u>\$1,333,673</u>  | <u>\$1,105,971</u>  | <u>\$754,028</u>    | <u>\$581,537</u>    | <u>\$627,068</u>    |
| Total Assets                            |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$40,605,873        | \$39,892,382        | \$37,283,548        | \$34,020,245        | \$34,222,732        |
| Securitization Adjustments              | 22,625,140          | 25,728,094          | 28,349,277          | 28,128,332          | 27,714,769          |
| Managed Basis                           | <u>\$63,231,013</u> | <u>\$65,620,476</u> | <u>\$65,632,825</u> | <u>\$62,148,577</u> | <u>\$61,937,501</u> |
| Tangible Common Equity/Total Assets     |                     |                     |                     |                     |                     |
| GAAP Basis                              | 13.8%               | 13.8%               | 15.0%               | 16.4%               | 15.8%               |
| Securitization Adjustments              | 24.5%               | 21.2%               | 19.5%               | 19.7%               | 19.3%               |
| Managed Basis                           | 8.8%                | 8.4%                | 8.5%                | 9.0%                | 8.7%                |
| <u>Loan Receivables</u>                 |                     |                     |                     |                     |                     |
| Total Loans                             |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$28,034,208        | \$25,216,611        | \$21,767,483        | \$20,502,063        | \$21,042,681        |
| Securitization Adjustments              | 22,854,496          | 25,878,667          | 28,659,822          | 27,339,428          | 26,457,729          |
| Managed Basis                           | <u>\$50,888,704</u> | <u>\$51,095,278</u> | <u>\$50,427,305</u> | <u>\$47,841,491</u> | <u>\$47,500,410</u> |
| Average Total Loans                     |                     |                     |                     |                     |                     |
| GAAP Basis                              | \$27,733,143        | \$22,945,494        | \$21,053,804        | \$19,890,330        | \$21,523,606        |
| Securitization Adjustments              | 24,144,702          | 27,761,596          | 27,965,279          | 27,581,747          | 27,339,560          |
| Managed Basis                           | <u>\$51,877,845</u> | <u>\$50,707,090</u> | <u>\$49,019,083</u> | <u>\$47,472,077</u> | <u>\$48,863,166</u> |

**Discover Financial Services**  
**Reconciliation of GAAP to Managed Data** <sup>1</sup>  
(unaudited, dollars in thousands)

|                                 | Quarter Ended       |                     |                     |                     |                     |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                 | Feb 28, 2009        | Nov 30, 2008        | Aug 31, 2008        | May 31, 2008        | Feb 29, 2008        |
| Interest Yield                  |                     |                     |                     |                     |                     |
| GAAP Basis                      | 11.24%              | 11.36%              | 11.41%              | 10.40%              | 10.34%              |
| Securitization Adjustments      | 13.24%              | 13.71%              | 13.61%              | 13.86%              | 14.56%              |
| Managed Basis                   | 12.17%              | 12.65%              | 12.67%              | 12.41%              | 12.70%              |
| Net Principal Charge-off Rate   |                     |                     |                     |                     |                     |
| GAAP Basis                      | 6.34%               | 5.25%               | 4.76%               | 4.49%               | 3.83%               |
| Securitization Adjustments      | 6.65%               | 5.68%               | 5.54%               | 5.34%               | 4.73%               |
| Managed Basis                   | 6.48%               | 5.48%               | 5.20%               | 4.99%               | 4.33%               |
| Delinquency Rate (over 30 days) |                     |                     |                     |                     |                     |
| GAAP Basis                      | 5.04%               | 4.35%               | 3.58%               | 3.54%               | 3.63%               |
| Securitization Adjustments      | 5.52%               | 4.77%               | 4.06%               | 4.01%               | 4.11%               |
| Managed Basis                   | 5.25%               | 4.56%               | 3.85%               | 3.81%               | 3.90%               |
| Delinquency Rate (over 90 days) |                     |                     |                     |                     |                     |
| GAAP Basis                      | 2.57%               | 2.06%               | 1.73%               | 1.81%               | 1.82%               |
| Securitization Adjustments      | 2.83%               | 2.27%               | 2.00%               | 2.07%               | 2.08%               |
| Managed Basis                   | 2.69%               | 2.17%               | 1.88%               | 1.96%               | 1.96%               |
| <u>Credit Card Loans</u>        |                     |                     |                     |                     |                     |
| Credit Card Loans               |                     |                     |                     |                     |                     |
| GAAP Basis                      | \$26,156,681        | \$23,814,307        | \$20,688,685        | \$19,785,414        | \$20,556,810        |
| Securitization Adjustments      | 22,854,496          | 25,878,667          | 28,659,822          | 27,339,428          | 26,457,729          |
| Managed Basis                   | <u>\$49,011,177</u> | <u>\$49,692,974</u> | <u>\$49,348,507</u> | <u>\$47,124,842</u> | <u>\$47,014,539</u> |
| Average Credit Card Loans       |                     |                     |                     |                     |                     |
| GAAP Basis                      | \$26,109,533        | \$21,658,816        | \$20,202,845        | \$19,275,733        | \$21,148,252        |
| Securitization Adjustments      | 24,144,702          | 27,761,596          | 27,965,279          | 27,581,747          | 27,339,560          |
| Managed Basis                   | <u>\$50,254,235</u> | <u>\$49,420,412</u> | <u>\$48,168,124</u> | <u>\$46,857,480</u> | <u>\$48,487,812</u> |
| Interest Yield                  |                     |                     |                     |                     |                     |
| GAAP Basis                      | 11.39%              | 11.45%              | 11.45%              | 10.40%              | 10.35%              |
| Securitization Adjustments      | 13.24%              | 13.71%              | 13.61%              | 13.86%              | 14.56%              |
| Managed Basis                   | 12.28%              | 12.72%              | 12.70%              | 12.43%              | 12.72%              |
| Net Principal Charge-off Rate   |                     |                     |                     |                     |                     |
| GAAP Basis                      | 6.58%               | 5.47%               | 4.92%               | 4.63%               | 3.90%               |
| Securitization Adjustments      | 6.65%               | 5.68%               | 5.54%               | 5.34%               | 4.73%               |
| Managed Basis                   | 6.61%               | 5.59%               | 5.28%               | 5.05%               | 4.37%               |
| Delinquency Rate (over 30 days) |                     |                     |                     |                     |                     |
| GAAP Basis                      | 5.32%               | 4.55%               | 3.72%               | 3.63%               | 3.69%               |
| Securitization Adjustments      | 5.52%               | 4.77%               | 4.06%               | 4.01%               | 4.11%               |
| Managed Basis                   | 5.41%               | 4.66%               | 3.92%               | 3.85%               | 3.93%               |
| Delinquency Rate (over 90 days) |                     |                     |                     |                     |                     |
| GAAP Basis                      | 2.73%               | 2.16%               | 1.81%               | 1.87%               | 1.86%               |
| Securitization Adjustments      | 2.83%               | 2.27%               | 2.00%               | 2.07%               | 2.08%               |
| Managed Basis                   | 2.78%               | 2.22%               | 1.92%               | 1.99%               | 1.98%               |

<sup>1</sup> Securitization Adjustments present the effect of loan securitization by recharacterizing as securitization income the portions of the following items that relate to the securitized loans: interest income, interest expense, provision for loan losses, discount and interchange revenue and loan fee revenues. Securitization income is reported in other income.