



DISCOVER FINANCIAL SERVICES REPORTS FIRST QUARTER RESULTS FROM CONTINUING OPERATIONS: NET INCOME OF \$239 MILLION AND EARNINGS PER SHARE OF \$.50

Riverwoods, IL, March 19, 2008 – Discover Financial Services (NYSE: DFS) today reported net income from continuing operations for the first quarter of 2008 of \$239 million, or \$.50 per share, as compared to \$260 million, or \$.54 per share in the first quarter of 2007. Reported net income of \$81 million included a \$158 million loss from discontinued operations related to the company’s Goldfish business previously reported as the International Card segment.

First Quarter Highlights

- U.S. Card managed loans grew to \$47.5 billion, up 2% from last year driven primarily by a 5% increase in sales volume.
- Revenue net of interest expense grew 13%, while total other expense increased by 2% over last year.
- The first quarter U.S. Card managed credit card net charge-off rate was 4.37% and the managed over 30 days delinquency rate was 3.93%, up 51 basis points and 62 basis points, respectively, from last year.
- Third-Party Payment debit and credit volume was \$26.3 billion for the first quarter, 24% above last year.

“Our U.S. Card results this quarter demonstrated strong profitability despite rising credit costs,” said David Nelms, chief executive officer of Discover Financial Services. “The net yield on our loan portfolio expanded as lower funding costs largely offset a higher level of provisioning for credit losses, which we attribute primarily to U.S. housing and mortgage issues and a deteriorating economic environment. We had continued solid growth in credit card sales, with appropriate growth in receivables. We also achieved strong performance this quarter in our Third-Party Payments segment, with network volume exceeding \$26 billion, an increase of 24% from last year and pretax income up 30%.”

Segment Results (Managed Basis):

U.S. Card

The U.S. Card segment produced solid results in the first quarter of 2008 with pretax income of \$375 million, down 6% from the first quarter of 2007, as higher provision for loan losses was largely offset by increased net interest income and other income.

- Provision for loan losses increased 54% due to higher net charge-offs and an increase in the reserve rate, reflecting recent delinquency trends.
- Managed net interest income increased 11% due to higher interest income partially offset by higher interest expense.
 - Interest income increased due to higher average receivables and an increase in interest yield, as a reduction in low rate balance transfer volume more than offset lower pricing on variable-rate APR accounts.



- Interest expense increased due to increased borrowings offset by lower funding costs.
- Other income increased, reflecting a \$75 million favorable revaluation of the interest-only strip receivable and higher discount and interchange revenue due to growth in sales.

Sales volume remained strong, increasing 5% from the first quarter of last year. Managed loans grew to \$47.5 billion, up 2% from last year, as the company moderated loan growth in response to the current economic environment. Balance transfer volumes were 43% below last year as the company implemented tighter marketing and credit criteria. The weakening economic environment impacted cardmember delinquencies and charge-offs, with a managed credit card over 30 days delinquency rate of 3.93%, up 34 basis points from the fourth quarter of 2007 and 62 basis points from last year. The managed credit card net charge-off rate of 4.37% was up 52 basis points from the fourth quarter of 2007 and 51 basis points from last year, consistent with the company's current expectation for a full year managed net charge-off rate between 4.75% and 5.00%.

Third-Party Payments

The Third-Party Payments segment continued to produce strong growth in transaction volume, up 24% from last year reflecting the impact of financial institution signings in 2007 as well as increased volumes from existing financial institutions. Increased revenues from transaction growth along with controlled expenses led to first quarter pretax income of \$16 million, up 30% from the first quarter of 2007. First quarter 2008 results also include higher marketing and pricing incentives as the company invested to grow share, as well as \$3 million in revenue related to a one-time contractual payment.

Discontinued Operations

On Feb. 7, 2008, the company announced that it reached an agreement to sell its Goldfish business in the United Kingdom, which previously had been reported as the International Card segment and, as a result, has reclassified the net assets of the business to discontinued operations in the first quarter of 2008, restating prior periods for comparability. The company recorded a loss from discontinued operations of \$158 million in the first quarter of 2008. This included a loss from the write-down of net assets to fair value of \$172 million and net income from operations of \$14 million which included gains from the sale of other assets.

Dividend Declaration

The company declared a cash dividend of \$.06 per share, payable on April 22, 2008, to stockholders of record at the close of business on April 3, 2008.



Conference Call and Webcast Information

The company will host a conference call to discuss its first quarter results on Wednesday, March 19, 2008, at 10 a.m. Central time. Interested parties can listen to the conference call via a live audio webcast at <http://investorrelations.discoverfinancial.com>.

About Discover Financial Services

Discover Financial Services (NYSE: DFS) is a leading credit card issuer and electronic payment services company with one of the most recognized brands in U.S. financial services. The company operates the Discover Card, America's cash rewards pioneer. Since its inception in 1986, the company has become one of the largest card issuers in the United States. Its payments businesses consist of the Discover Network, with millions of merchant and cash access locations, and PULSE, one of the nation's leading ATM/debit networks. Discover also operates the Goldfish credit card business in the United Kingdom. For more information, visit www.discoverfinancial.com.

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A financial summary follows. Financial, statistical, and business related information, as well as information regarding business and segment trends, is included in the Financial Supplement. Both the earnings release and the Financial Supplement are available online in the Investor Relations section at www.discoverfinancial.com.

Financial information presented on a 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. Management believes it is useful for investors to consider the credit performance of the entire managed loan portfolio to understand the quality of loan originations and the related credit risks inherent in the owned portfolio and retained interests in securitization. For more information, and a detailed reconciliation, please refer to the schedule titled "Reconciliation of GAAP to Managed Data" attached to this press release.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based upon the current beliefs and expectations of Discover Financial Services' management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements. The following factors, among others, could cause actual results to differ materially from those set forth in the forward-looking statements: the actions and initiatives of current and potential competitors; our ability to manage credit risks and securitize our receivables at acceptable rates; changes in economic variables, such as the number and size of personal



bankruptcy filings, the rate of unemployment and the levels of consumer confidence and consumer debt; the level and volatility of equity prices, commodity prices and interest rates, currency values, investments and other market indices; the availability and cost of funding and capital; access to U.S. or U.K. debt and securitization markets; the ability to increase or sustain Discover Card usage or attract new cardmembers and introduce new products or services; our ability to attract new merchants and maintain relationships with current merchants; material security breaches of key systems; unforeseen and catastrophic events; our reputation; the potential effects of technological changes; the effect of political, economic and market conditions and geopolitical events; unanticipated developments relating to lawsuits, investigations or similar matters; the impact of current, pending and future legislation, regulation and regulatory and legal actions; our ability to attract and retain employees; the ability to protect our intellectual property; the impact of our separation from Morgan Stanley; the impact of any potential future acquisitions; closing of the sale of our Goldfish business in the United Kingdom; investor sentiment; and the restrictions on our operations resulting from indebtedness incurred during our separation from Morgan Stanley.

These forward-looking statements speak only as of the date of this press release, and there is no undertaking to update or revise them as more information becomes available. Additional factors that could cause Discover Financial Services' results to differ materially from those described in the forward-looking statements can be found in the Company's Annual Report on Form 10-K for the year ended November 30, 2007, filed with the SEC and available at the SEC's internet site (<http://www.sec.gov>).