

DISCOVER FINANCIAL SERVICES REPORTS THIRD QUARTER RESULTS

Earnings Per Share \$0.42; Net Income of \$202 Million Board of Directors Declares \$0.06 Dividend

Riverwoods, IL, September 25, 2007 -- Discover Financial Services (NYSE: DFS) today reported net income of \$202 million or \$0.42 per share (diluted) for the third quarter ended August 31, 2007, compared with net income of \$241 million for the third quarter of 2006.

Highlights

- Managed loans experienced the seventh consecutive quarter of receivable growth, reaching \$51.9 billion, 4% above last year.
- Credit card sales volume reached a record \$26.8 billion, 4% above last year.
- Credit quality remained strong with a managed credit card net charge-off rate of 3.95%, declining 28 basis points from second quarter 2007 and a managed credit card 30+ day delinquency rate of 3.30%, up 18 basis points from last quarter's record low level.
- Achieved record quarterly transaction volume across the Discover and PULSE Networks, up 17% over last year.
- Signed new merchant acquiring agreements with Chase Paymentech, Wells Fargo Merchant Services and Bank of America Merchant Services. Discover now has agreements with firms representing over 90% of U.S. industry sales volume.
- Maintained strong balance sheet and liquidity position, growing cash reserves to \$8 billion.

"Discover achieved strong results this quarter, driven by record quarterly sales volume, continued growth in card receivables and sound credit quality," said David Nelms, chief executive officer of Discover Financial Services. "Our third quarter performance reflects our commitment to achieving continued growth in balances and transaction volume while remaining unrelenting in our focus on credit risk management. In addition, we've made significant gains in one of our most important strategic initiatives through agreements with merchant acquirers, which will enable us to increase acceptance of Discover Network cards."

Third-Party Payments transaction growth increased this quarter and PULSE signed a number of multi-year agreements with key financial institutions.

The company sustained continued losses in its International Card business amidst a challenging operating environment in the United Kingdom. Discover is focused on a combination of revenue and expense-control initiatives designed to contribute to improved performance.

Following the spin-off from Morgan Stanley, which occurred on June 30, 2007, the company took steps to increase financial liquidity and finished the quarter with just over \$8 billion in cash reserves.

Nelms added, "Having completed the transition to a stand alone company, our fundamental commitment is to build long-term value for our shareholders. In keeping with that focus, this morning we announced an initial dividend of \$0.06 per share."

Financial information presented on a managed basis assumes that loans that have been securitized were not sold and presents financial information on these loans in a manner similar to the way financial information on loans that have not been sold is presented. For more information and a detailed reconciliation, please refer to the schedule titled "Reconciliation of GAAP to Managed" attached to this press release.

Segment Results (Managed Basis):

U.S. Card

- Pretax income of \$387 million was unchanged from the third quarter of 2006 driven by:
 - an increase in interest income related to higher average receivables and an increase in interest yield, partially offset by higher interest expense resulting from increased funding costs and increased borrowings due in part to Discover's spin-off from Morgan Stanley;
 - a decrease in other income due, in part, to lower new securitization activity and an unfavorable revaluation of the interest-only strip receivable; and

- higher marketing and business development expenses, as well as spin-off related costs of \$5 million in the third quarter of 2007, partially offset by lower other expenses.
- Managed loans grew for the sixth consecutive quarter to \$47.4 billion, up 5% from last year.
- U.S. credit quality remained strong with a managed credit card 30+ day delinquency rate of 3.16%, 15 basis points lower than last year and 19 basis points higher than the record low achieved in second quarter 2007.
- The managed credit card net charge-off rate of 3.70% was up 15 basis points from last year, but down 30 basis points from second quarter 2007.

Third-Party Payments

- Pretax income of \$9 million for the third quarter of 2007 was down slightly from \$10 million for the third quarter of 2006 as marketing and pricing incentives offset revenue from higher volumes.
- Transaction volume on the PULSE Network grew to 594 million, up 26% over last year, reflecting the impact of new financial institution signings as well as increased volumes from existing financial institutions.

International Card

- Pretax loss of \$67 million for the third quarter of 2007 compared unfavorably to the pretax loss of \$30 million for the third quarter of 2006 due to:
 - an increase in provision for loan losses, as receivables related to a maturing securitization transaction were retained in the portfolio;
 - an increase in expenses, including \$4 million of spin-off related costs; and
 - a decrease in net interest income reflecting higher funding costs post spin-off and the higher interest rate environment in the United Kingdom.
- Managed loans decreased 2% from last year reflecting increased payments and reduced marketing, partially offset by a favorable foreign exchange rate.

- The 30+ day delinquency rate of 4.89% was up 42 basis points from last year and 20 basis points from second quarter 2007. The increase over second quarter includes the impact of declining receivables and the implementation of higher minimum payment requirements on certain accounts.
- The net charge-off rate of 6.56% increased 15 basis points from last year and 6 basis points from second quarter 2007.

Dividend Declaration

Discover's Board of Directors has declared a dividend of \$0.06 per share. The cash dividend is payable on October 23, 2007 to stockholders of record at the close of business on October 5, 2007.

Conference Call and Webcast Information

The company will host a conference call to discuss its third quarter results on Tuesday, September 25, 2007, at 10:00 am 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) operates the Discover Card with more than 50 million cardmembers, the Discover Network with millions of merchant and cash access locations, and the Goldfish credit card business in the United Kingdom. Discover Financial Services also operates the PULSE ATM/debit network, which serves more than 4,400 financial institutions and includes nearly 260,000 ATMs, as well as POS terminals, nationwide. 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.

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 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; 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 Form 10, as amended, filed with the SEC and available at the SEC's internet site (<http://www.sec.gov>).