DISCOVER FINANCIAL SERVICES REPORTS SECOND QUARTER NET INCOME OF $258 MILLION OR $0.33 PER DILUTED SHARE

Riverwoods, IL, June 24, 2010 – Discover Financial Services (NYSE: DFS) today reported net income for the second quarter of 2010 of $258 million, as compared to net income of $226 million for the second quarter of 2009. Net income for the second quarter of 2009 included approximately $295 million (after tax) related to the Visa/MasterCard antitrust litigation settlement.

On April 21, 2010, the company redeemed $1.2 billion of preferred stock issued to the U.S. Treasury under the TARP Capital Purchase Program and, as a result, accelerated the accretion of the discount on the preferred stock. The accretion of the discount and preferred stock dividend reduced earnings per share by $0.13.

Second Quarter Highlights

- Discover card sales volume was $23 billion, a record for a second quarter and an increase of 6% from the prior year.

- Credit performance continued to improve, with net charge-offs down $81 million and over 30 days delinquencies down $266 million from the prior quarter, driving a release of loan loss reserves in the quarter.

- The net charge-off rate for the second quarter was 7.97% versus the previously disclosed expectation of 8-8.5%. The net charge-off rate for the third quarter of 2010 is expected to be between 7.5% and 8%.

- Payment Services showed continued strong results with profit before tax up 36% from the prior year to $36 million, and transaction volume of $37 billion.

- Deposit balances originated through direct-to-consumer and affinity relationships were $17.5 billion, an increase of $9.5 billion from the prior year and $2.7 billion from the prior quarter. This quarter included an acquisition of $1 billion in deposit accounts.

"Our very strong results this quarter were driven by a significant improvement in the credit performance of our loyal customer base along with continued solid growth in cardmember spending," said David Nelms, chairman and chief executive officer of Discover. "We were also pleased with the performance of our payments business, driven by solid growth in key volume measures. In addition, our direct-to-consumer deposit business turned in another quarter of strong growth, and is now our single largest funding source. Looking ahead, we anticipate that sustained improvements in credit performance will continue to contribute meaningfully to earnings and, importantly, allow us to invest for long-term growth."

Segment Results:

Direct Banking

The discussion that follows compares amounts reported for the second quarter of 2010 to 2009 on an "as-adjusted" basis[1]. The table below reconciles the 2009 as-adjusted amounts with the relevant measure on an as reported basis where appropriate.

	Quarter Ended May 31, 2009 Managed - As Reported	Adjustments	Quarter Ended May 31, 2009 As Adjusted
Net Yield on Loan Receivables	9.26%	(0.01%)	9.25%
Other Income	$835	($380)	$455
Provision for Loan Losses	$1,111	$191	$1,302
Direct Banking Income Before Taxes	$388	($573)	($185)

Direct Banking pretax income of $386 million in the second quarter of 2010 was a $571 million improvement from the second quarter of 2009, as adjusted.

Discover card sales volume grew 6% from the prior year, the second consecutive quarter of year-over-year growth, reflecting a general increase in consumer spending and higher gas prices. Credit card loans declined $3.6 billion to $45.3 billion. The impact of higher sales volume on credit card loans was more than offset by a reduction in promotional rate balances, as the company continued to reduce balance transfer activity. The year-over-year decline in balance transfer volume was 60% in the second quarter. Total loans ended the quarter at $50 billion, down 2% compared to the prior year, as the decline in credit card loans was partially offset by an increase in student loans.

Net yield on loan receivables was 9.14%, a decrease of 11 basis points from the prior year as adjusted and an increase of 13 basis points from the prior quarter. The net yield decreased from the prior year primarily due to the increase in lower rate student loan balances and higher funding costs, partially offset by a reduction in promotional rate credit card balances, higher interest rates on standard balances, and lower interest charge-offs. The interest yield on credit card loans increased 23 basis points from the prior quarter including 20 basis points attributable to the impact of improving credit trends on interest charge-offs. The net yield on loan receivables increased from the prior quarter reflecting the higher interest yield on credit cards partially offset by an increase in lower rate student loan balances.

[1] The company adopted Statement of Financial Accounting Standards No. 166 and 167, on Dec. 1, 2009, which amended ASC Section 860 and 810, resulting in the inclusion of its credit card securitization trusts in its consolidated financial results beginning with the first quarter of 2010. In order to provide more meaningful historical comparisons for analyzing data, schedules have been prepared to reflect the results for 2009 on an "as-adjusted" basis. The as-adjusted basis assumes that the trusts used in the company's securitization activities were consolidated into the financial results for 2009. The as-adjusted basis also excludes from results income received in connection with the company's settlement of its antitrust litigation with Visa and MasterCard in 2009. All references to financial information on an "as adjusted" basis reflect these adjustments. For more information, and a detailed reconciliation, see the schedule titled "Reconciliation of GAAP to As Adjusted Data" attached to this press release.

The over 30 days delinquent loans and rate have continued to decline from the fourth quarter of 2009 peak as credit trends continue to improve. The over 30 days delinquency rate was 4.52%, an improvement of 56 basis points from the prior year, and 53 basis points from the prior quarter.

The net charge-off rate decreased to 7.97% for the second quarter of 2010, up 18 basis points from the prior year and down 54 basis points from the prior quarter. The increase from the prior year reflects elevated levels of consumer bankruptcies and unemployment, partially offset by a higher mix of student loans, which have a lower charge-off rate. The decrease from the prior quarter reflects the ongoing improvement in credit performance of the portfolio.

Provision for loan losses of $724 million decreased $578 million, or 44%, from the prior year as adjusted. The sustained improvement in credit performance over the past two quarters led to a reduction in the loan loss reserve rate, which resulted in a reserve release of $277 million in the second quarter of 2010. In contrast, the second quarter of 2009, as adjusted, included a $299 million reserve addition, reflecting worsening credit trends at the time.

Other income decreased $7 million from the prior year as adjusted, primarily due to the discontinuance of overlimit fees beginning in February 2010, partially offset by higher discount and interchange revenue from higher sales volume.

Expenses were down $44 million, or 8% from the prior year, reflecting the impact of cost containment initiatives. The second quarter of 2009 included a $20 million charge related to a reduction in force.

Payment Services

Payment Services pretax income of $36 million in the quarter was up $10 million, or 36%, from the prior year. Revenues were up $6 million, reflecting an increase in the number of transactions and higher margin volume on the PULSE network and lower incentive payments as well as higher Diners Club revenues. Expenses were down $3 million, due primarily to transaction processing cost reduction initiatives.

Payment Services dollar volume of $37 billion for the second quarter was up 1% from the prior year. Third-Party Issuer volume was up 25% and Diners Club volume was up 7%, partially offset by a 2% decrease in volume on the PULSE network. The number of transactions on the PULSE network increased 6% to 805 million due to increased transaction volume from new and existing clients.

Conference Call and Webcast Information

The company will host a conference call to discuss its second quarter results on Thursday June 24, 2010, at 10:00 a.m. Central time. Interested parties can listen to the conference call via a live audio webcast at http://investorrelations.discoverfinancial.com.

About Discover

Discover Financial Services (NYSE: DFS) is a direct banking and payment services company with one of the most recognized brands in U.S. financial services. Since its inception in 1986, the company has become one of the largest card issuers in the United States. The company operates the Discover card, America's cash rewards pioneer, and offers personal and student loans, online savings accounts, certificates of deposit and money market accounts through its Discover Bank subsidiary. Its payment businesses consist of Discover Network, with millions of merchant and cash access locations; PULSE, one of the nation's leading ATM/debit networks; and Diners Club International, a global payments network with acceptance in more than 185 countries and territories. 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 filed as Exhibit 99.2 to the company's Form 8-K filed today with the Securities and Exchange Commission ("SEC"). Both the earnings release and the financial supplement are available online at the SEC's website (http://www.sec.gov) and the company's website (http://investorrelations.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 the company's management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements. 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. The following factors, among others, could cause actual results to differ materially from those set forth in the forward-looking statements: changes in economic variables, such as the availability of consumer credit, the housing market, energy costs, the number and size of personal bankruptcy filings, the rate of unemployment and the levels of consumer confidence and consumer debt, and investor sentiment; the impact of current, pending and future legislation, regulation and regulatory and legal actions, including new laws and rules limiting or modifying certain credit card practices, new laws and rules affecting securitizations, new laws and rules related to financial regulatory reform, and bank holding company regulations and supervisory guidance; restrictions on the company's operations resulting from financing transactions; the actions and initiatives of current and potential competitors; the company's ability to successfully achieve card acceptance across its networks and maintain relationships with network participants; the company's ability to manage its credit risk, market risk, liquidity risk, operational risk, legal and compliance risk, and strategic risk; the availability and cost of funding and capital; access to deposit, securitization, equity, debt and credit markets; the impact of rating agency actions; the level and volatility of equity prices, commodity prices and interest rates, currency values, investments, other market fluctuations and other market indices; losses in the company's investment portfolio; the company's ability to increase or sustain Discover card usage or attract new customers; the company's ability to attract new merchants and maintain relationships with current merchants; the effect of political, economic and market conditions, geopolitical events and unforeseen or catastrophic events; fraudulent activities or material security breaches of key systems; the company's ability to introduce new products or services; the company's ability to sustain its investment in new technology and manage its relationships with third-party vendors; the company's ability to collect amounts for disputed transactions from merchants and merchant acquirers; the company's ability to attract and retain employees; the company's ability to protect its reputation and its intellectual property; difficulty financing or integrating new businesses, products or technologies; and new lawsuits, investigations or similar matters or unanticipated developments related to current matters. The company routinely evaluates and may pursue acquisitions of or investments in businesses, products, technologies, loan portfolios or deposits, which may involve payment in cash or the company's debt or equity securities.

Additional factors that could cause the company's results to differ materially from those described in the forward-looking statements can be found under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's Annual Report on Form 10-K for the year ended November 30, 2009 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2010, which are filed with the SEC and available at the SEC's internet site (http://www.sec.gov).