



**DISCOVER FINANCIAL SERVICES REPORTS SECOND QUARTER RESULTS:
NET INCOME OF \$234 MILLION AND EARNINGS PER SHARE OF \$.48**

Riverwoods, IL, June 26, 2008 - Discover Financial Services (NYSE: DFS) today reported net income for the second quarter of 2008 of \$234 million, or \$.48 per share, as compared to \$209 million, or \$.44 per share, in the second quarter of 2007. Reported results included income from continuing operations of \$202 million, or \$.42 per share, and \$32 million from discontinued operations related to the company's International Card segment.

Second Quarter Highlights

- Managed loans grew 2% to \$47.8 billion; Discover Card sales grew 2% to \$22.5 billion.
- Including non-credit card loans, the second quarter managed net charge-off rate was 4.99% and the managed over 30 days delinquency rate was 3.81%.
- The Third-Party Payments segment debit and credit volume grew 33% to \$29.4 billion.
- Non-interest expenses decreased 3% from last year.
- The company completed the sale of the Goldfish business in the United Kingdom.
- The company agreed to acquire Diners Club International, with an expected closing in July.

“Despite the challenging economy, Discover delivered solid results this quarter,” said David Nelms, chief executive officer of Discover Financial Services. “We grew managed loans and revenues within our U.S. Card segment and maintained strong credit quality. We are also very pleased with the performance of our Third-Party Payments segment, which delivered record network volume of \$29 billion, an increase of 33% from last year. With the pending acquisition and integration of Diners Club International, we expect to significantly improve our competitive position in this segment through global reach and by accelerating growth in our payments network revenues.”



Segment Results (Managed Basis):

U.S. Card

Managed loans grew to \$47.8 billion, up 2% from last year, as the company remained diligent in maintaining strong credit quality and improving net interest margin in the current environment. Balance transfer volume was reduced by 32% from last year, and sales volume grew at a slower pace, increasing 2%.

Beginning this quarter, the company is reporting its portfolio statistics, including managed loans, interest yield, charge-offs and delinquencies, on a segment basis to reflect the inclusion of non-card loan products in all measures. The segment managed over 30 days delinquency rate of 3.81% was down seasonally from the first quarter of 2008, and up 84 basis points from last year. The managed credit card over 30 days delinquency rate was 3.85%, down 8 basis points from last quarter and up 88 basis points from last year. The segment managed net charge-off rate increased to 4.99% for the second quarter of 2008, up 102 basis points from last year, while the managed credit card net charge-off rate increased to 5.05%, reflecting continued deterioration in the economic environment.

U.S. Card pretax income was \$309 million in the second quarter of 2008, down 20% from the second quarter of 2007, as revenues net of interest expense increased 3% to \$1.5 billion, provision for loan losses increased 31% to \$582 million, and non-interest expense declined 3% to \$586 million.

- Managed net interest income increased \$114 million, or 13%, reflecting widening net interest margins benefiting from lower cost of funds and a reduction in, and higher rates on, promotional balances.
- Other income decreased \$71 million, or 14%, reflecting:
 - A \$44 million unfavorable revaluation of the company's retained interests in securitizations as compared to a \$36 million favorable revaluation in the second quarter of 2007;



- The previously announced \$31 million write-down of an investment in the asset-backed commercial paper notes of Golden Key U.S. LLC, which had invested in U.S. mortgage-backed securities; and
- A \$47 million increase in discount and interchange revenue related to increased sales volumes as well as lower rewards costs related to revised forfeiture assumptions.
- Provision for loan losses increased 31% due to higher net charge-offs reflecting recent credit trends. The loan loss reserve rate increased to 4.28% in the quarter; however, the allowance for loan losses declined by \$14 million from last quarter due to a lower level of on-balance sheet loans as a result of securitization activity.
- Expenses declined \$16 million, or 3%, principally due to lower professional fees related to lower legal and consulting costs.

Third-Party Payments

The Third-Party Payments segment produced record transaction volume of \$29.4 billion, up 33% from last year, reflecting the impact of new issuer signings in 2007 as well as increased volumes from existing issuers. Pretax income of \$17 million was up 110% from the second quarter of 2007 as revenues increased 26% to \$38 million, while expenses fell 4% to \$21 million.

- Other income increased \$8 million, or 27%, reflecting increased volumes and fee revenues.
- Expenses decreased \$1 million, or 4%, reflecting lower transaction processing and consulting costs.

Discontinued Operations

On March 31, 2008, the company completed the sale of its Goldfish business in the United Kingdom to Barclays Bank PLC. In the second quarter of 2008, the company recognized income from discontinued operations, net of tax, of \$32 million.



Dividend Declaration/Stock Repurchase Program

The company declared a cash dividend of \$.06 per share, payable on July 22, 2008, to stockholders of record at the close of business on July 1, 2008. No stock repurchases were conducted under the stock repurchase program during the second quarter.

Conference Call and Webcast Information

The company will host a conference call to discuss its second quarter results on Thursday, June 26, 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. 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. 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: 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, other market fluctuations and other market indices; the availability and cost of funding and capital; access to U.S. debt and deposit markets; losses in our investment portfolio; 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.

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>).