DISCOVER FINANCIAL SERVICES

DISCOVER FINANCIAL SERVICES REPORTS SECOND QUARTER RESULTS: NET INCOME OF $226 MILLION AND EARNINGS PER SHARE OF $0.43

Riverwoods, IL, June 18, 2009 - Discover Financial Services (NYSE: DFS) today reported results for the quarter ended May 31, 2009, as follows:

	Continuing Operations		Discontinued Operations	Net Income	
	Earnings (millions)	Diluted EPS	Earnings (millions)	Earnings (millions)	Diluted EPS
2Q09	$226	$0.43	-	$226	$0.43
2Q08	$202	$0.42	$33	$234	$0.48

Net income for the second quarter of 2009 was $226 million, up $24 million from the second quarter of 2008. Net income for the second quarter of 2009 includes approximately $295 million (after-tax) related to the Visa/MasterCard antitrust litigation settlement.

Highlights

- Managed loans of $51 billion were essentially unchanged from the prior quarter and up 7% from the prior year; Discover Card sales volume declined 4% from the prior year to $21 billion.
- Managed net yield on loan receivables rose to 9.26%, an increase of 15 basis points from the prior quarter and 69 basis points from the prior year.
- The second-quarter managed net charge-off rate was 7.79% and the managed over 30 days delinquency rate was 5.08%. The company added $108 million to reserves in excess of charge-offs.
- Total deposits grew 18% from the prior year to $29 billion, including $8 billion of deposit balances originated through direct-to-consumer and affinity relationships.
- Third-Party Payments segment volume grew 25% from the prior year to $37 billion, including $6 billion of Diners Club International volume.
- Expenses, which included a $20 million charge related to reduction in workforce, were down 8% from the prior year.
- Tangible common equity as a percentage of managed assets was 9.0%.

"While the rise in unemployment continued to have a significant impact on our financial results, I am pleased with our strong relative performance in both credit management and sales volumes," said David Nelms, chairman and chief executive officer of Discover Financial Services. "We continue to focus on reducing expenses and maintaining a strong capital position as we manage through these challenging times."

Segment Results (Managed Basis):

U.S. Card

Managed loans ended the quarter at $51 billion, essentially unchanged from the prior quarter and up 7% from the prior year, reflecting lower cardmember payments and growth in both personal and student loans, partially offset by decreased consumer spending. Sales volume decreased 4% versus the second quarter of 2008, reflecting lower gas prices and a general decline in consumer spending.

Pretax income was $388 million in the second quarter of 2009 as compared to $309 million for the second quarter of 2008.

Net yield on loan receivables rose to 9.26%, an increase of 15 basis points from the prior quarter, and 70 basis points from the prior year. The increase from the prior year reflects lower cost of funds, accretion of balance transfer fees and an increase in revolving balances, partially offset by higher interest charge-offs and lower yields on variable rate assets. The second quarter of 2009 includes a $16 million charge related to an industry-wide FDIC special assessment which had the effect of reducing net yield by 12 basis points.

The over 30 days delinquency rate on managed loans was 5.08%, down 17 basis points from the first quarter of 2009, reflecting seasonal trends and up 127 basis points from the prior year due primarily to higher levels of unemployment and the economic downturn. The managed net charge-off rate increased to 7.79% for the second quarter of 2009, up 131 basis points and 280 basis points from the prior quarter and the prior year, respectively. The managed net charge-off rate for the third quarter of 2009 is expected to be between 8.5% and 9%.

Provision for loan losses increased $530 million, or 91%, from the prior year due to higher net charge-offs and the addition of $108 million in loan loss reserves in excess of charge-offs in the quarter. The addition in excess of charge-offs was due to an increase in reserve rate to 7.24%, reflecting higher anticipated charge-offs, partially offset by lower on-balance sheet loans.

Other income increased $380 million, or 83%, from the prior year, including $473 million related to the Visa/MasterCard antitrust litigation settlement. This was partially offset by a $93 million charge related to the estimated fair value of the interest only strip receivable, $49 million higher than a year ago. Other income also reflected lower fee revenues and a decline in merchant revenue reflecting lower sales volumes. As previously disclosed, the second quarter of 2008 also included a $31 million impairment charge related to an investment.

Expenses decreased $57 million, or 10%, from the prior year, principally due to lower marketing spending and a decrease in compensation and other costs. The second quarter of 2009 includes a $20 million charge related to a reduction in force.

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Third-Party Payments

The Third-Party Payments segment transaction volume was $37 billion, up 25% from the prior year, reflecting the addition of Diners Club International volume of $6 billion, as well as a 5% increase in volume on the PULSE network.

Pretax income of $27 million was up $10 million from the second quarter of 2008. Revenues increased $21 million, reflecting the acquisition of Diners Club International in June 2008, as well as increased transaction volume and fees. Expenses increased $11 million, reflecting the Diners Club acquisition and integration.

Effective Tax Rate

The company's effective tax rate for the second quarter of 2009 includes $31 million of adjustments to tax expense mainly from the write-off of a deferred tax asset resulting from sale of the Goldfish business in the second quarter of 2008.

Dividends

The company's board declared a cash dividend of $0.02 per share, payable on July 22, 2009, to stockholders of record at the close of business on July 1, 2009.

Preferred dividends of $13 million (an impact of approximately $.03 per share) were accrued in the second quarter of 2009 related to shares of preferred stock issued in March 2009 under the U.S. Treasury Capital Purchase Program. These preferred dividends are a component of net income available to common stockholders and earnings per share.

Conference Call and Webcast Information

The company will host a conference call to discuss its second quarter results on Thursday, June 18, 2009, 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. 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 student and personal loans, as well as savings products such as certificates of deposit and money market accounts. Its payments businesses consist of the 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 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. 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 and under sale accounting treatment; 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; 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. equity, debt and deposit markets; the ability to manage our liquidity risk; 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; our ability to successfully achieve interoperability among our networks and maintain relationships with network participants; 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, including new laws limiting or modifying certain credit card practices and legislation related to government programs to stabilize the financial markets; our ability to attract and retain employees; the ability to protect our intellectual property; the impact of any potential future acquisitions; investor sentiment; resolution of our dispute with Morgan Stanley; and the restrictions on our operations resulting from financing transactions.

Additional factors that could cause Discover Financial Services' results to differ materially from those described in the forward-looking statements can be found under "Part I. Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended November 30, 2008 and under "Part II. Item 1A. Risk Factors" in the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2009, which are filed with the SEC and available at the SEC's internet site (http://www.sec.gov).