DISCOVER FINANCIAL SERVICES

DISCOVER FINANCIAL SERVICES REPORTS FOURTH QUARTER RESULTS: NET INCOME OF $432 MILLION AND EARNINGS PER SHARE OF $0.89

Riverwoods, IL, Dec. 18, 2008 - Discover Financial Services (NYSE: DFS) today reported results for the quarter and year ended November 30, 2008 as follows:

	Continuing Operations		Discontinued Operations	Net Income	
	Earnings (millions)	**Diluted EPS**	**Earnings** (millions)	**Earnings** (millions)	**Diluted EPS**
4Q08	$444	$0.92	($12)	$432	$0.89
4Q07	$210	$0.44	($266)	($56)	($0.12)
2008	$1,063	$2.20	($135)	$928	$1.92
2007	$964	$2.01	($375)	$589	$1.23

Full year income from continuing operations was $1.1 billion, up 10% from last year. Fourth quarter income from continuing operations was $444 million, up from $210 million in the fourth quarter of 2007. Income from continuing operations includes antitrust litigation settlement proceeds of approximately $535 million (after-tax) in the fourth quarter of 2008. Discontinued operations relates to the sale of the Goldfish business.

Fourth Quarter Highlights

- The company grew managed loans 6% from last year to $51 billion; Discover Card sales declined 2% to $22 billion.
- The fourth-quarter managed net charge-off rate was 5.48% and the managed over 30 days delinquency rate was 4.56%.
- The company added reserves in excess of charge-offs of $415 million.
- Owned loans grew $3.5 billion from the third quarter, including $2.6 billion due to maturing securitizations retained on the balance sheet.
- Total deposits grew 15% to $29 billion, including $6 billion of direct-to-consumer deposit balances.
- Third-Party Payments segment volume grew 39% to $34 billion, including $7 billion of Diners Club International volume.

"Our results and financial position reflect our conservative orientation toward growth, credit risk and capital management as we position Discover to weather the economic downturn," said David Nelms, chief executive officer of Discover Financial Services. "As part of our capital management, we are seeking to participate in the Treasury's Capital Purchase Program which will further support our consumer lending operations."

Settlement of Antitrust Litigation

On October 27, 2008 Discover reached a $2.75 billion settlement of its antitrust lawsuit with Visa and MasterCard. Discover received an $863 million payment in November 2008, and expects to receive the remaining proceeds in equal $472 million installments over the four quarters of 2009. The proceeds will be reflected as revenue in Discover's U.S. Card segment in the period earned.

At the time of the spin-off of the company, Morgan Stanley and Discover entered into an agreement governing the manner in which the antitrust case was to be pursued and settled and how proceeds of the litigation were to be shared. The company has notified Morgan Stanley that it breached the agreement and the amount of the dividend to Morgan Stanley, if any, is a matter of dispute.

Liquidity and Capital

The company continues to maintain liquidity and capital positions that it believes are appropriate for the current environment. Cash liquidity was $9.4 billion and tangible equity was $5.5 billion, or 11.0% of net managed receivables, at November 30, 2008. The company applied to the U.S. Treasury to participate in the Capital Purchase Program and to the Federal Reserve to become a bank holding company.

Segment Results (Managed Basis):

U.S. Card

Managed loans grew to $51 billion, up 6% from last year and 1% from last quarter as decreased consumer spending and balance transfer activity were offset by lower cardmember payments and growth in installment loans. Sales volume decreased 2% versus fourth quarter of 2007, and increased 2% on a full year basis.

Credit performance of the Card portfolio was consistent with Discover's expectation as charge-offs rose, reflecting the deteriorating economic environment. The managed over 30 days delinquency rate of 4.56% was up 71 basis points from the third quarter of 2008, and 98 basis points from last year. The managed net charge-off rate increased to 5.48% for the fourth quarter of 2008, up 28 and 163 basis points, respectively, from last quarter and last year. The full year net charge-off rate was 5.01% up 118 basis points from last year. Based on current trends within the portfolio and in the economic environment, the company believes that the managed net charge-off rate in the first quarter of 2009 will exceed 6%.

Fourth Quarter

Pretax income was $646 million in the fourth quarter of 2008, including other income of $863 million related to proceeds from the antitrust settlement. Pretax income was $321 million for the fourth quarter of 2007.

Managed net interest income increased $162 million, or 18%, an improvement of 79 basis points over fourth quarter of 2007. Higher net interest income benefited from lower cost of funds, growth in loan balances and accretion of balance transfer fees previously included in loan fee revenue, partially offset by higher interest charge-offs.

Provision for loan losses increased $521 million, or 89%, due to higher net charge-offs and an increase in loan loss reserves in excess of charge-offs in the quarter. The reserve increase in excess of charge-offs of $415 million resulted from a higher reserve rate as well as higher on-balance sheet loans due to maturing securitizations.

Other income increased $630 million, reflecting the antitrust settlement partially offset by a reduction in the fair value of the interest-only strip receivable. The decline in the fair value of the interest-only strip receivable was due to no securitization gains in the fourth quarter as the company did not enter into new securitization transactions, along with higher anticipated charge-offs in the current environment.

Expenses decreased $54 million, or 9%, primarily attributable to lower compensation and marketing expense partially offset by increased professional fees. Compensation expense included a $39 million one-time benefit due to curtailment of the company's pension plan. Marketing declined due to lower account acquisition and balance transfer volume as well as lower advertising costs.

Full Year
Pretax income was $1.6 billion in 2008, including other income of $863 million related to the antitrust settlement. Pretax income was $1.5 billion for 2007.

Managed net interest income increased $551 million, or 15%, an improvement of 79 basis points over 2007, reflecting an increase in interest income and a decrease in interest expense. Interest income benefited from growth in loan balances and the transfer of balance transfer fees to interest income, partially offset by higher interest charge-offs and lower investment income. Interest expense decreased reflecting a lower cost of funds, partially offset by higher borrowings to fund higher loan balances.

Provision for loan losses increased $1.2 billion, or 66%, due to higher net charge-offs and an increase in loan loss reserves in excess of charge-offs during the year. The reserve increase in excess of charge-offs of $615 million resulted from a higher reserve rate as well as higher on-balance sheet loans due to maturing securitizations.

Other income increased $673 million reflecting the antitrust settlement and higher discount and interchange revenue, partially offset by a write-down of the interest-only strip receivable and the transfer of balance transfer fees to interest income. Discount and interchange revenue benefited from growth in sales volume.

Expenses decreased $79 million, or 3%, primarily attributable to the pension curtailment benefit; lower account acquisition and promotional marketing activity; and a decrease in costs related to litigation.

Third-Party Payments

Fourth Quarter
The Third-Party Payments segment transaction volume was $34 billion, up 39% from last year, reflecting the addition of Diners Club International volume of $7 billion, as well as increased volumes on the PULSE and Discover networks.

Pretax income of $21 million was up $13 million from the fourth quarter of 2007. Diners Club International contributed $4 million to the segment's pretax income. Revenue increased $24 million due to increased volumes and fee revenues, as well as a $15 million contribution from Diners Club International. Expenses increased $11 million due to the inclusion of Diners Club International.

Full Year
The Third-Party Payments segment transaction volume was a record $125 billion, up 36% from last year, reflecting the addition of Diners Club International volume of $13 billion, as well as increased volumes on the PULSE and Discover networks.

Pretax income of $81 million was up $44 million from 2007 including $11 million related to Diners Club International, which was acquired in June 2008. Revenue increased $61 million due to increased volumes and fee revenues as well as a $28 million contribution from Diners Club International. Expenses increased $17 million due to the inclusion of Diners Club International.

Discontinued Operations

Discontinued operations represent the company's Goldfish business in the United Kingdom, which was sold to Barclays Bank PLC on March 31, 2008. In the fourth quarter of 2008, the company recognized a loss from discontinued operations, net of tax, of $12 million versus a loss of $266 million in the fourth quarter of 2007. The fourth quarter of 2007 included an impairment charge to write down goodwill and intangibles to fair value of $279 million, after-tax.

Dividend Declaration/Stock Repurchase Program

The company's board declared a cash dividend of $.06 per share, payable on Jan. 22, 2009, to stockholders of record at the close of business on Jan. 2, 2009. No stock repurchases were conducted under the stock repurchase program during the fourth quarter.

Conference Call and Webcast Information

The company will host a conference call to discuss its fourth quarter results on Thursday, Dec. 18, 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; 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 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; our ability to successfully integrate the Diners Club International network 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 the Federal Reserve Board's proposed amendments limiting certain credit card practices; our ability to attract and retain employees; the ability to protect our intellectual property; the impact of any potential future acquisitions; investor sentiment; and the restrictions on our operations resulting from indebtedness incurred related to our spin-off in 2007.

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, 2007 and "Part II. Other Information – Item 1A. Risk Factors" in the Company's Quarterly Report on Form 10-Q for the quarter ended May 31, 2008, filed with the SEC and available at the SEC's internet site (http://www.sec.gov).