DISCOVER FINANCIAL SERVICES

DISCOVER FINANCIAL SERVICES REPORTS FIRST QUARTER RESULTS: NET INCOME OF $120 MILLION AND EARNINGS PER SHARE OF $0.25

Riverwoods, IL, March 19, 2009 - Discover Financial Services (NYSE: DFS) today reported results for the quarter ended Feb. 28, 2009, as follows:

	Continuing Operations		**Discontinued Operations**	**Net Income**	
	Earnings (millions)	**Diluted EPS**	**Earnings** (millions)	**Earnings** (millions)	**Diluted EPS**
1Q09	$120	$0.25	-	$120	$0.25
1Q08	$239	$0.50	($158)	$81	$0.17

Net income for the first quarter of 2009 was $120 million, up from $81 million in the first quarter of 2008. Net income for the first quarter of 2009 includes approximately $297 million (after-tax) related to the Visa/MasterCard antitrust litigation settlement. Discontinued operations relates to the sale of the Goldfish business in March 2008.

The company also announced it reduced its quarterly dividend to $.02 per share.

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 8% from the prior year to $21 billion.
- Managed net yield on loan receivables rose to 9.11%, an increase of 55 basis points from the prior quarter and 101 basis points from the prior year.
- The first-quarter managed net charge-off rate was 6.48%.
- The company added $504 million to reserves in excess of charge-offs as the managed over 30 days delinquency rate rose to 5.25% and $3 billion of loans related to maturing securitizations were refinanced on-balance sheet.
- Total deposits grew 14% from the prior year to $28 billion, including $7 billion of deposit balances originated through direct-to-consumer and affinity relationships.
- Third-Party Payments segment volume grew 33% from the prior year to $35 billion, including $6 billion of Diners Club International volume.
- Total company expenses were down 7% from the prior year.

“Given the unprecedented economic downturn, we continue to take steps to strengthen our balance sheet, including increasing our reserves,” said David Nelms, chairman and chief executive officer of Discover Financial Services. “Out of an abundance of caution, we are also reducing our quarterly dividend to enhance our already strong capital position.”

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 and a 17% reduction in balance transfer activity. Sales volume decreased 8% versus the first quarter of 2008 reflecting lower gas prices and a decrease in overall consumer spending.

Pretax income was $167 million in the first quarter of 2009 as compared to $375 million for the first quarter of 2008.

Net yield on loan receivables rose to 9.11%, an increase of 56 basis points from the prior quarter, and 102 basis points from the prior year benefiting from lower cost of funds, accretion of balance transfer fees and a reduction in promotional rate balances, partially offset by higher interest charge-offs and lower yields on variable rate assets.

Managed net interest income increased $182 million, or 19%, from the first quarter of 2008 due to the increase in the net yield on loan receivables and growth in loan balances.

Delinquencies and charge-offs rose as the deteriorating economic environment and higher unemployment rate continued to put pressure on cardmembers. The over 30 days delinquency rate on managed loans was 5.25%, up 69 basis points from the fourth quarter of 2008 and 135 basis points from the prior year. The managed net charge-off rate increased to 6.48% for the first quarter of 2009, up 100 basis points and 215 basis points from the prior quarter and the prior year, respectively.

Provision for loan losses increased $707 million, or 113%, from the prior year, due to higher net charge-offs and the addition of loan loss reserves in excess of charge-offs in the quarter. The reserve increase in excess of charge-offs of $504 million resulted from a higher reserve rate as well as higher on-balance sheet loans due to maturing securitizations.

Other income increased $261 million, or 43%, from the prior year, including $475 million related to the Visa/MasterCard antitrust litigation settlement, partially offset by a $173 million year-over-year decrease related to the valuation of the interest-only strip receivable. In the first quarter of 2009, the company recorded a $98 million reduction in the fair value of the interest-only strip receivable due to higher anticipated charge-offs and a lower level of securitized receivables outstanding, as compared to a $75 million increase in the fair value in first quarter 2008.

Expenses decreased $56 million, or 10%, from the prior year, principally due to lower marketing spending and a decrease in legal fees and fraud costs.

Third-Party Payments

The Third-Party Payments segment transaction volume was $35 billion, up 33% from the prior year, reflecting the addition of Diners Club International volume of $6 billion, as well as an 11% increase in volume on the PULSE network.

Pretax income of $29 million was up $13 million from the first quarter of 2008. Revenues increased $26 million reflecting the acquisition of Diners Club International in June 2008, as well as increased transaction volume and fees. Expenses increased $12 million reflecting the Diners Club acquisition, as well as costs related to integrating the Diners Club network.

Participation in the U.S. Treasury Capital Purchase Program/Registration as a Bank Holding Company

On March 13, 2009, the company issued preferred stock and a warrant to the U.S. Treasury as part of the Capital Purchase Program for $1.2 billion. The company also became a bank holding company subject to regulation by the Federal Reserve. On a pro forma basis, assuming the Capital Purchase Program funding was received at Feb. 28, 2009, the company estimates that the Tier 1 Capital ratio would have been 17.1%. At Feb. 28, 2009, the company's tangible common equity was 8.8% of managed assets.

Dividends

The company's board declared a cash dividend of $.02 per share, payable on April 22, 2009, to stockholders of record at the close of business on April 1, 2009. The reduction in dividend would strengthen our capital base by approximately $80 million on an annualized basis.

Conference Call and Webcast Information

The company will host a conference call to discuss its first quarter results on Thursday, March 19, 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.

Contacts:

Investors:
Craig Streem, 224-405-3575
craigstreem@discover.com

Media:
Jon Drummond, 224-405-1888
jondrummond@discover.com

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. 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 the Federal Reserve Board's new rules 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 filed with the SEC and available at the SEC's internet site (http://www.sec.gov).