DISCOVER FINANCIAL SERVICES REPORTS FOURTH QUARTER RESULTS

Riverwoods, IL, Dec. 20, 2007 - Discover Financial Services (NYSE: DFS) today reported a net loss for the fourth quarter of 2007 of $84 million ($0.18 per share), including a non-cash impairment charge related to the company's Goldfish business in the United Kingdom of $391 million ($279 million after tax, or $0.58 per share). Excluding the impairment charge, the company earned $195 million ($0.40 per share), 4% above last year. On a pretax basis, the company reported a loss of $88 million for the fourth quarter of 2007 ($303 million profit excluding the impairment charge), as compared to a profit of $186 million for the fourth quarter of 2006.

For the full year, the company reported net income of $561 million, or $1.17 per share, including the impairment charge. Without the charge, net income would have been $840 million, or $1.75 per share.

Fourth Quarter Highlights

- U.S. Card managed loans reached $48.2 billion, up 5% from last year driven by a 6% increase in credit card sales volume.
- U.S. Card credit quality remained strong, although delinquency rates increased from last quarter reflecting weakening in the U.S. economy. The fourth quarter managed credit card net charge-off rate was 3.84% and the 30+ days delinquency rate was 3.59%.
- Third-Party Payment debit and credit volume was $24.5 billion for the fourth quarter, 28% above last year.
- The International Card segment reported reduced losses excluding the impairment charge.

"While we are disappointed with the impairment charge in our UK business, Discover's overall fourth quarter profit before tax, excluding this charge, increased by 63% over last year," said David Nelms, chief executive officer of Discover Financial Services. "Our U.S. Card business achieved solid growth in sales volume and receivables, strong credit results and improved revenues and operating efficiencies. In our Third-Party Payments segment, our network volume reached almost $25 billion in the quarter, an increase of 28%. For the International Card segment, our loss before impairment was substantially reduced despite an elevated cost of funds and high credit losses."

Segment Results (Managed Basis):

U.S. Card

Pretax income for the fourth quarter of 2007 was $328 million, up 43% from the fourth quarter of 2006, driven by higher net interest income and other income and by lower expenses, partially offset by higher provision for loan losses.

- Interest income increased due to higher average receivables and an increase in interest yield, partially offset by higher interest expense resulting from increased funding costs and borrowings.
- Other income increased, reflecting a favorable revaluation of the interest-only strip receivable, gains related to the sale of merchant contracts, higher loan fee revenue and lower rewards costs related to forfeiture changes in the program.
- Expenses decreased, reflecting timing of advertising expenditures, lower overhead costs and a decrease in legal fees related to the Visa/MasterCard litigation.
- Provision for loan losses increased due to a higher level of loans retained on the company's balance sheet and an increase in the reserve rate that reflects recent delinquency and charge-off trends.

Managed loans grew for the seventh consecutive quarter to $48.2 billion, up 5% from last year, and strong sales volume continued, increasing 6%. Credit quality remained strong, but delinquency rates increased from last quarter. The managed credit card net charge-off rate of 3.84% was up 14 basis points from the third quarter of 2007, but was 15 basis points lower than last year. The managed credit card 30+ days delinquency rate was 3.59%, up 43 basis points from the third quarter of 2007 and 20 basis points from last year.

Full year pretax income of $1.5 billion was down $136 million from 2006, driven by an increase in provision for loan losses partially offset by higher net interest income.

- The provision for loan losses increased, reflecting a trend toward more normalized levels of bankruptcy charge-offs compared to the unusually low levels in 2006 and a higher level of loans retained on the company's balance sheet.
- An increase in interest income due to higher average receivables was partially offset by an increase in interest expense, reflecting increased funding costs and borrowings.

Full year credit card sales volume was a record $90.3 billion, up 4% over last year. The full year managed credit card net charge-off rate of 3.84% was 12 basis points lower than 2006.

Third-Party Payments

Fourth quarter pretax income of $8 million was up 9% from the fourth quarter of 2006 due to higher revenue related to increased volumes, partially offset by higher marketing and pricing incentives. Third-Party Payment debit and credit volume was $24.5 billion for the fourth quarter of 2007, up 28% over last year, reflecting the impact of new financial institution signings as well as increased volumes from existing financial institutions.

Full year pretax income of $37 million was up 28% from 2006, driven by higher revenue from increased volumes that was partially offset by higher marketing and pricing incentives and from higher third-party card issuer fees. Third-Party Payment debit and credit volume was $91.7 billion for 2007, up 25% from 2006.

International Card

The pretax loss of $423 million for the fourth quarter of 2007 included the non-cash impairment charge of $391 million. Excluding this charge, the pretax loss of $32 million compared favorably to the pretax loss of $50 million for the fourth quarter of 2006 due to lower provision for loan losses and expenses and higher other income partially offset by lower net interest income.

- Net interest income decreased, reflecting higher funding costs as a result of the spin-off and the rising interest rate environment in the United Kingdom.
- The provision for loan losses decreased, reflecting lower reserve requirements.

- Other income increased primarily due to a write-down of the interest-only strip receivable in the fourth quarter of 2006 and lower rewards costs.
- Expenses decreased reflecting lower overhead costs and lower marketing and compensation expense.

Managed loans decreased 6% from last year, reflecting increased payments and reduced emphasis on loan growth, partially offset by a favorable foreign exchange rate. The fourth quarter managed net charge-off rate of 6.65% was up 9 basis points from the third quarter of 2007 and 85 basis points from last year. Managed net charge-off dollars have stabilized, but the rate was up due to the effect of declining receivable balances. The managed 30+ days delinquency rate of 5.25% was up 36 basis points from the third quarter of 2007 and 67 basis points from last year.

The full year 2007 pretax loss of $596 million compared unfavorably to the loss of $87 million for 2006, largely driven by the $391 million non-cash impairment charge as well as higher provision for loan losses and expenses.

- The provision for loan losses increased, reflecting a full period of charge-offs related to the Goldfish and Liverpool Victoria portfolios, weakening in the consumer credit environment in the United Kingdom, certain maturing securitized receivables being retained in the portfolio, and an increase in reserves related to implementation of higher minimum payment requirements on certain accounts.
- Expenses increased due to spin-off related costs and initiatives.

Full year credit card sales volume was $13.0 billion, up 25% over last year reflecting a full year of sales related to the Goldfish acquisition. The full year managed net charge-off rate of 6.54% was up 109 basis points from 2006.

Dividend Declaration/Share Repurchase

The company declared a cash dividend of $0.06 per share, payable on Jan. 22, 2008 to stockholders of record at the close of business on Jan. 3, 2008.

As announced on Dec. 3, 2007, the Board of Directors approved a share repurchase program, authorizing the company to purchase up to $1 billion of its common stock. The program expires on Nov. 30, 2010, and may be terminated at any time.

Conference Call and Webcast Information

The company will host a conference call to discuss its fourth quarter results on Thursday, Dec. 20, 2007, at 10 am 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. Discover also operates the Goldfish credit card business in the United Kingdom. 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 on these loans in a manner similar to the way financial information on loans that have not been sold is presented. For more information, and a detailed reconciliation, please refer to the schedule titled “Reconciliation of GAAP to Managed” 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. 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 and other market indices; the availability and cost of funding and capital; access to U.S. or U.K. debt and securitization markets; 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.

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. 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 Form 10, as amended, filed with the SEC and available at the SEC's internet site (http://www.sec.gov).