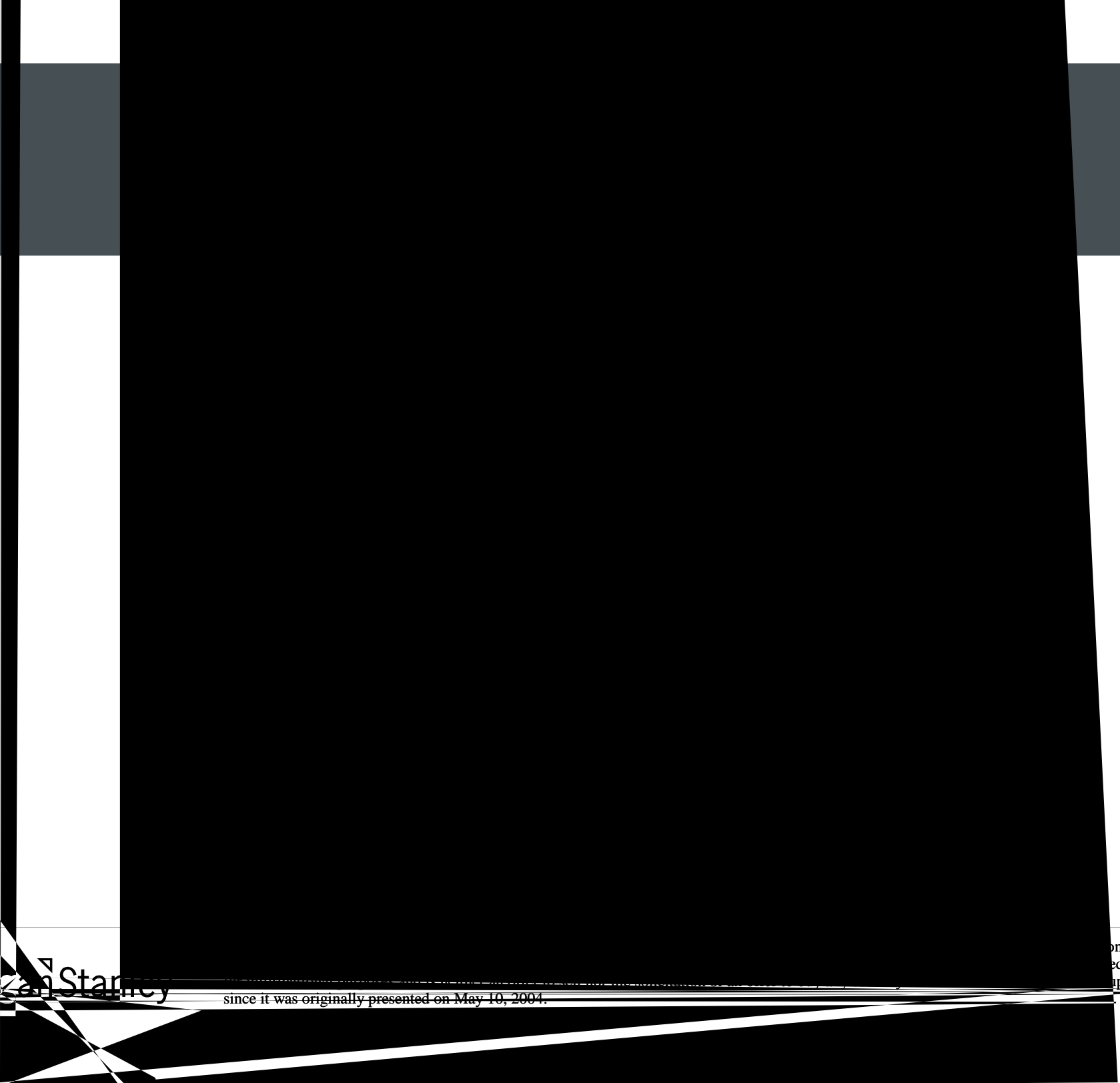


Stephen S. Crawford, Chief Administrative Officer, Morgan Stanley
David H. Sidwell, Chief Financial Officer, Morgan Stanley
David W. Nelms, Chairman and CEO, Discover Financial Services

May 10, 2004



David Nelms
Chairman & CEO
Discover Financial Services



Morgan Stanley

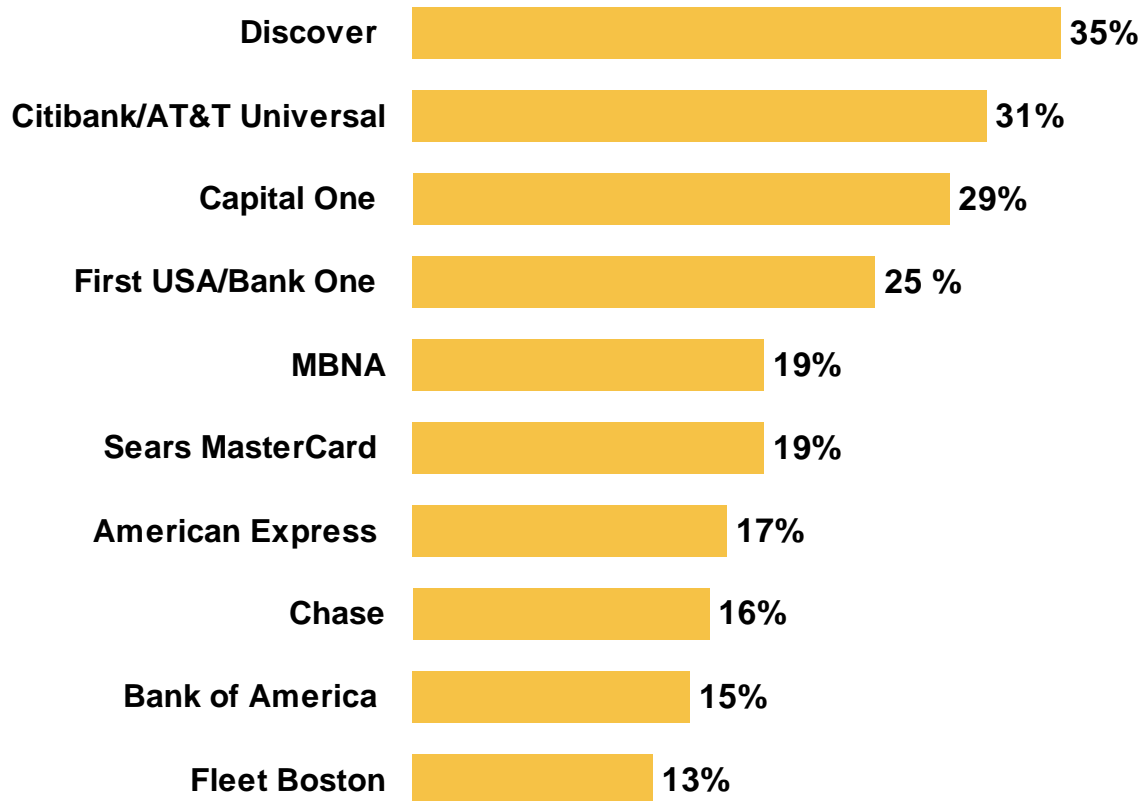
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Issuer Household Penetration

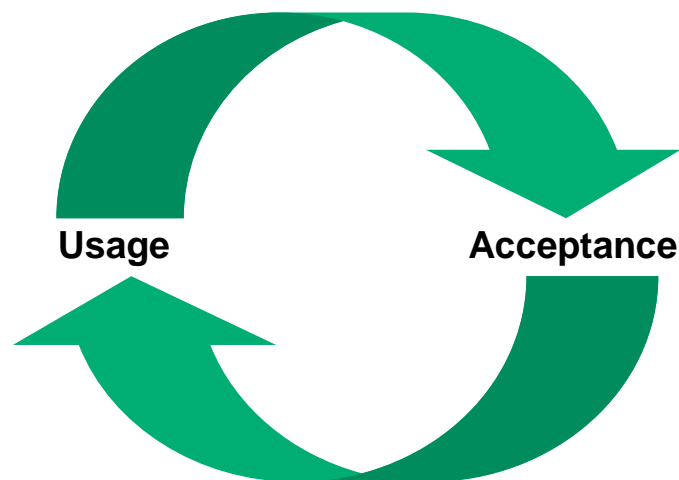
Overall Top Ten Cards Held by Households

By Issuer



Source: Synergistics Research Corporation Presentation – Card Forum and Expo, May 6, 2004

Discover Priorities



- Leverage proprietary network to drive new accounts and sales volume
- Enhance Cashback Bonus – the preeminent rewards program
- Establish/leverage Discover brand as key differentiator
- Breakthrough customer service
- Maintain focus on expenses especially loan losses

Enhance Cashback Bonus

- Launched in 2Q02
- Increase perceived value to cardmembers – up to 2%
- Partners share rewards costs
- Higher “switching” costs
- “Breakage” – cost savings from forfeiture
- Increased value for partners

The logo for Lands' End, featuring the brand name in a serif font with a blue horizontal line underneath.The logo for Maytag Corporation, with the word "MAYTAG" in a bold, sans-serif font and "CORPORATION" in a smaller font below it.The logo for Stuart Anderson's, featuring the name in a stylized, cursive script.The logo for Princess, featuring a blue crown icon above the word "PRINCESS" in a blue, sans-serif font.The logo for SuperClubs, with the word "SuperClubs" in a blue, sans-serif font and a tagline below it.The logo for Regal Entertainment Group, featuring a circular icon with a crown and the words "REGAL ENTERTAINMENT GROUP" in a green, sans-serif font.The logo for Bed Bath & Beyond, with the brand name in a bold, purple, sans-serif font.

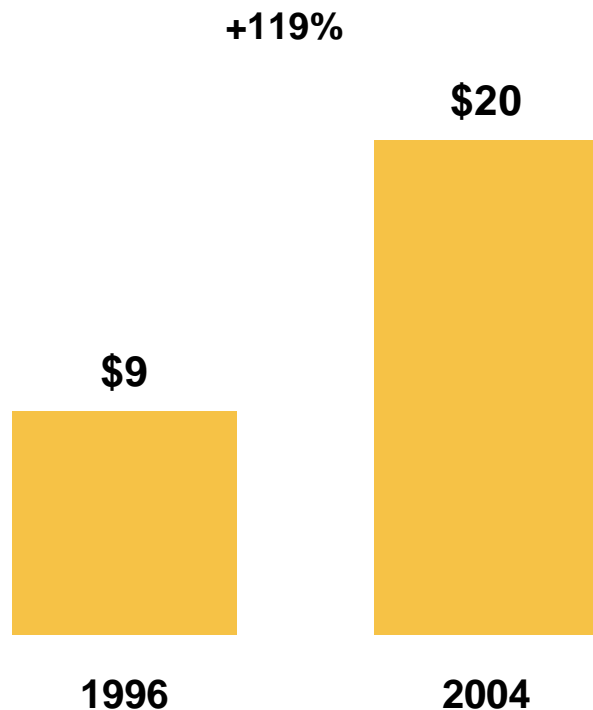


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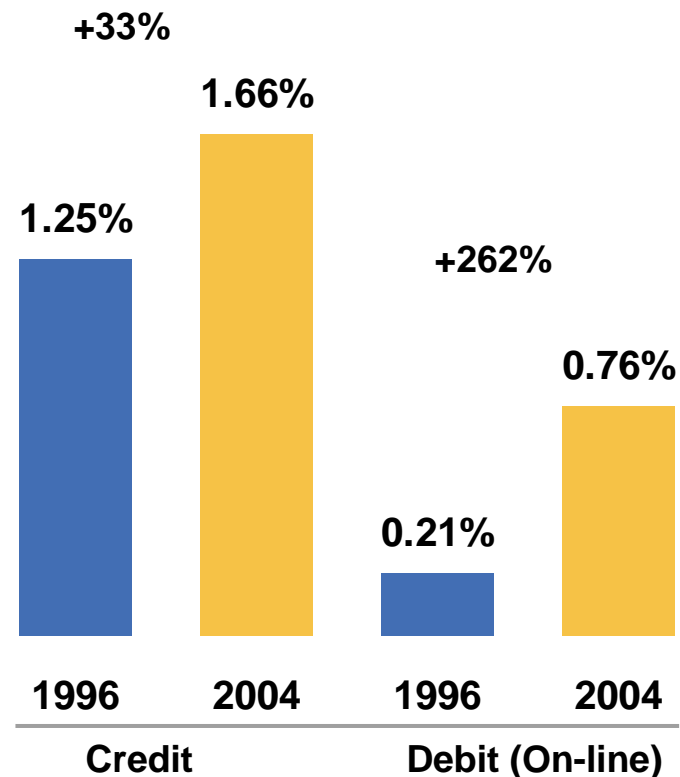
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Visa and MasterCard Cost to U.S. Merchants

**Estimated U.S. Visa/MasterCard
Credit Merchant Discount (Bn)**

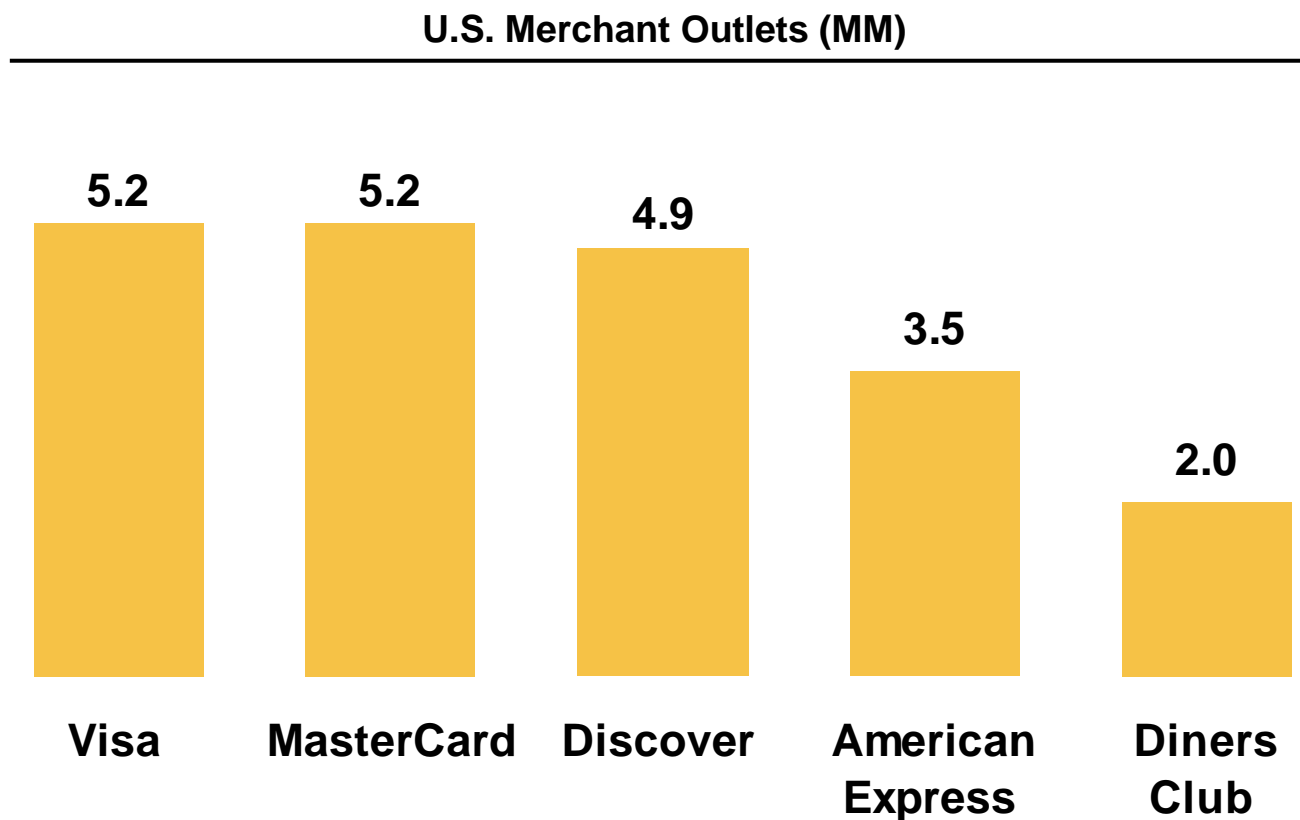


Estimated U.S. Visa Interchange

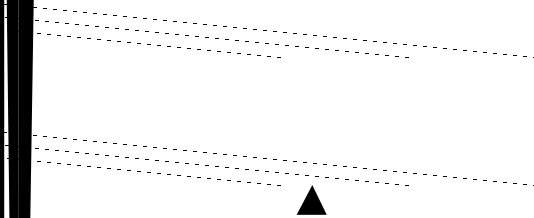


Source: VISA Published U.S. Interchange Rate (CPS Retail Category), First Annapolis, Nilson Report #640 and #805

U.S. Merchant Acceptance



Source: Nilson Report #805








Long Term Discover Strategy

- Strengthen and leverage the Discover brand and Cashback Bonus
- Create competitive advantage with U.S. proprietary network
- Optimize business efficiency and risk management
- Leverage great customer service to build loyalty
- Expand international and mortgage businesses
- Attract, develop and retain the best workforce



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