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## Credit Suisse 2015 Financials Conference

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Morgan Stanley Investment Management*

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# Agenda

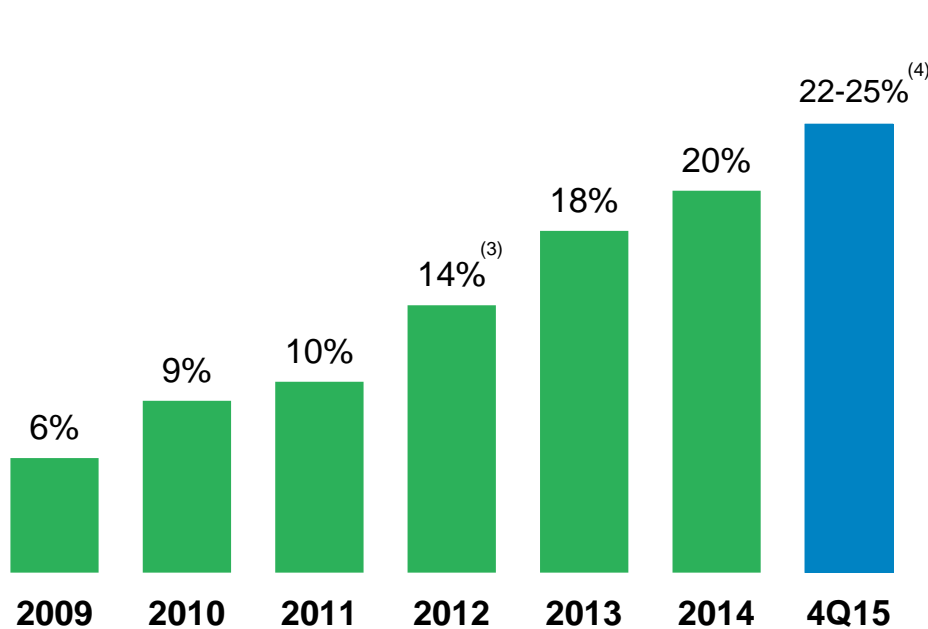
- 1 Wealth Management: Performance and Growth
- 2 Fast Changing Industry and World
- 3 Technology as a Competitive Advantage
- 4 Broadening the Banking & Lending Platform

# 1 Wealth Management: Performance and Growth

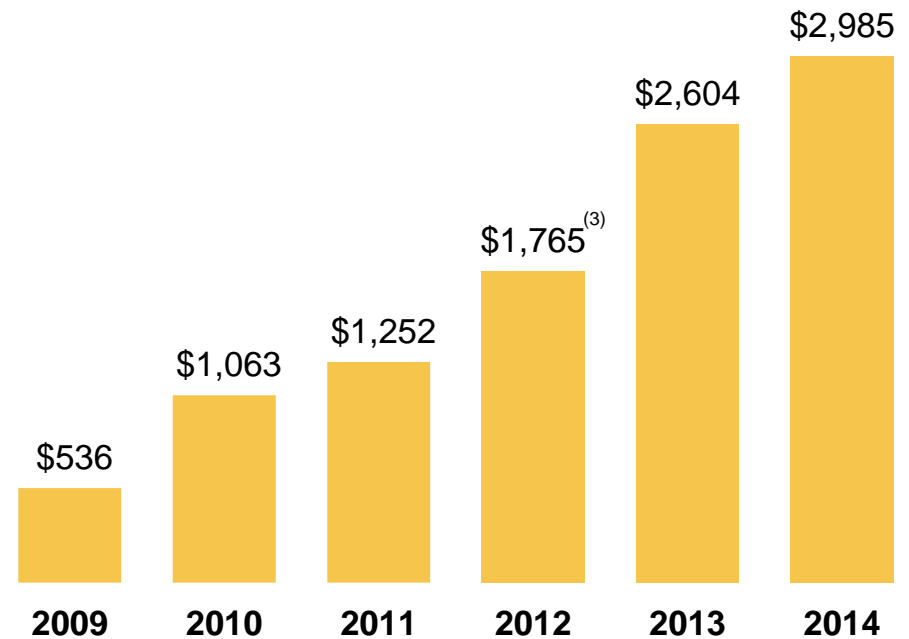
# 1 Wealth Management Focus on Margin AND Growth

## Optimizing Margin Discipline While Making Investments to Drive Growth

**Wealth Management Pre-Tax Margin (%)**<sup>(1),(2)</sup>



**Wealth Management Pre-Tax Earnings (\$MM)**<sup>(1),(2)</sup>



- (1) Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors to assess operating performance. Pre-tax margin represents income (loss) from continuing operations before taxes ("pre-tax earnings") divided by net revenues.
- (2) All periods have been recast to exclude the Managed Futures business, which is now reported in the Investment Management business segment. Additionally, the periods 2009-2013 have been recast to exclude the International Wealth Management business, currently reported in the Institutional Securities business segment.
- (3) Pre-tax margin and pre-tax earnings for 2012 exclude \$193 million of non-recurring costs associated with the Morgan Stanley Wealth Management integration and the purchase of an additional 14% stake in the joint venture.
- (4) The attainment of these margins in 2015 may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

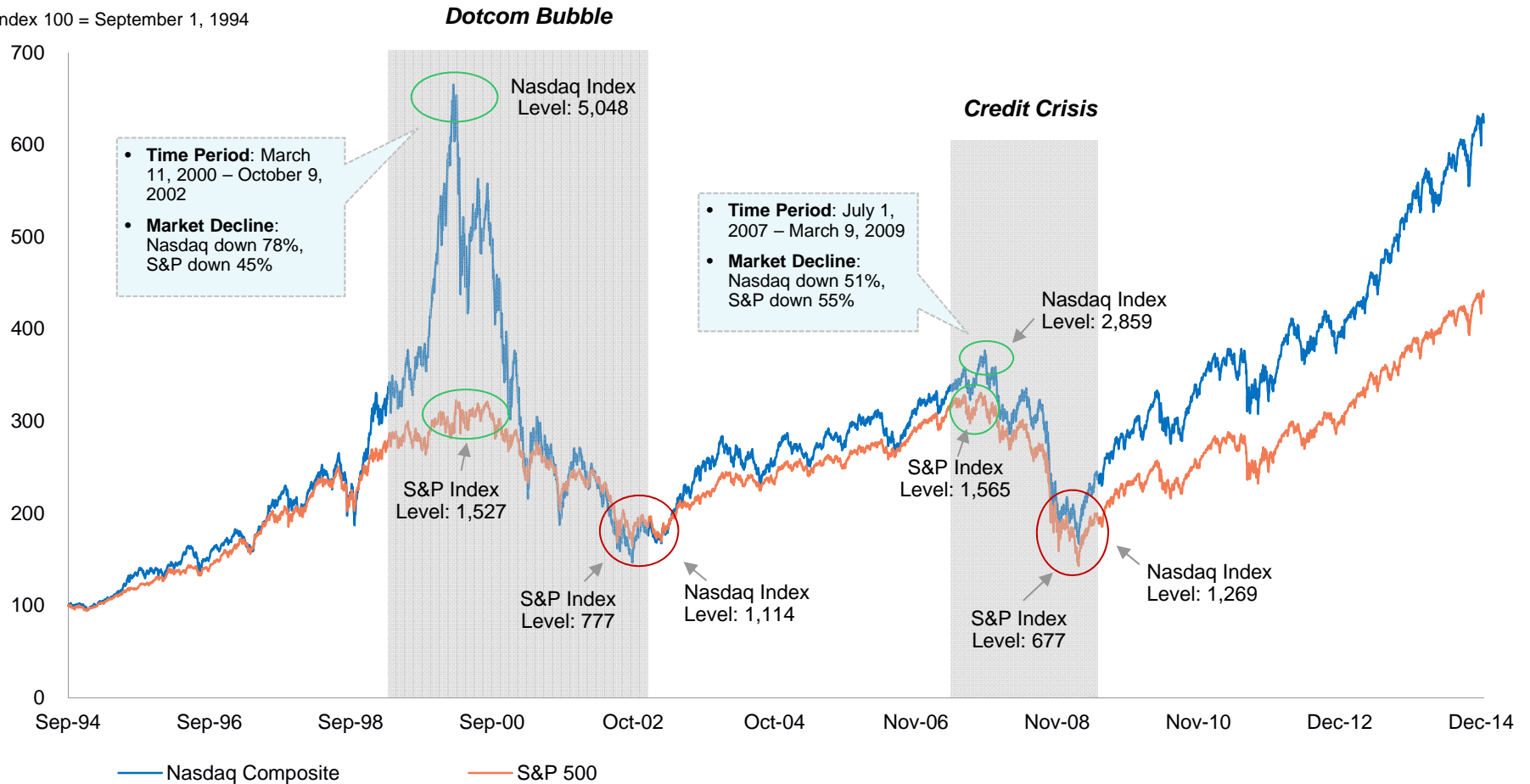
## 2 Fast Changing Industry and World

# 2 Volatility Drives Need for Financial Advice

## Trajectory of U.S. Equity Markets <sup>(1)</sup>

(Sep 1994 – Dec 2014)

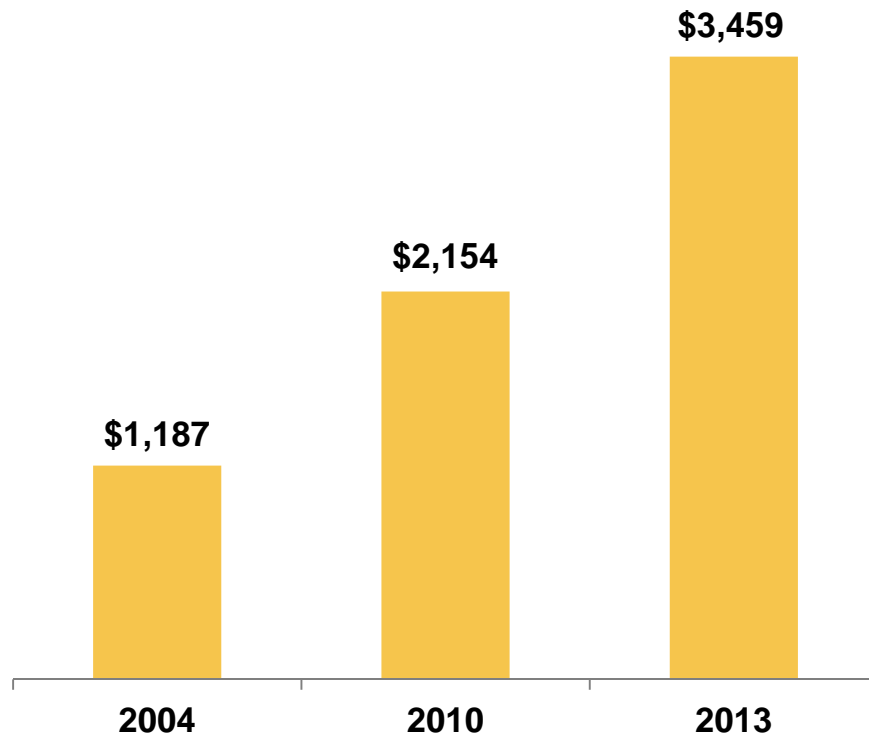
Index 100 = September 1, 1994



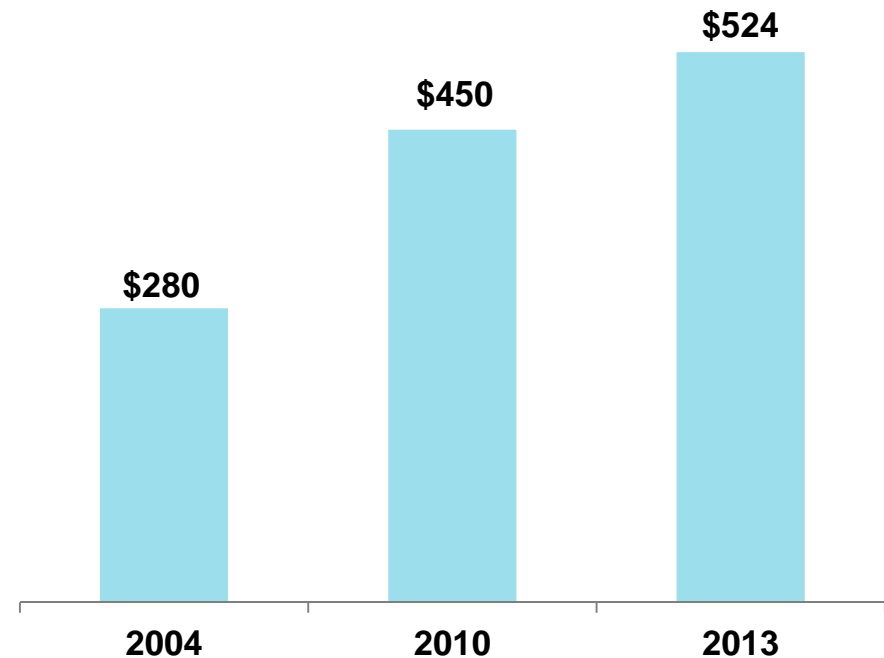
(1) Data sourced from Yahoo Finance and Capital IQ.

# Wealth Management Industry – Growth in Fee-Based Assets and Deposits

2004–2013 Wirehouse Fee-Based Assets (\$Bn)<sup>(1),(2)</sup>



2004-2013 Wirehouse Deposits (\$Bn)<sup>(1),(3)</sup>



(1) In 2004, Wirehouses included Citigroup, Merrill Lynch, Morgan Stanley, UBS and Wachovia. In 2010 and 2013, Wirehouses included Bank of America Merrill Lynch, Morgan Stanley, UBS and Wells Fargo. Cerulli Associates, *Advisor Metrics 2013: Understanding and Addressing a More Sophisticated Population and Advisor Metrics 2006*.

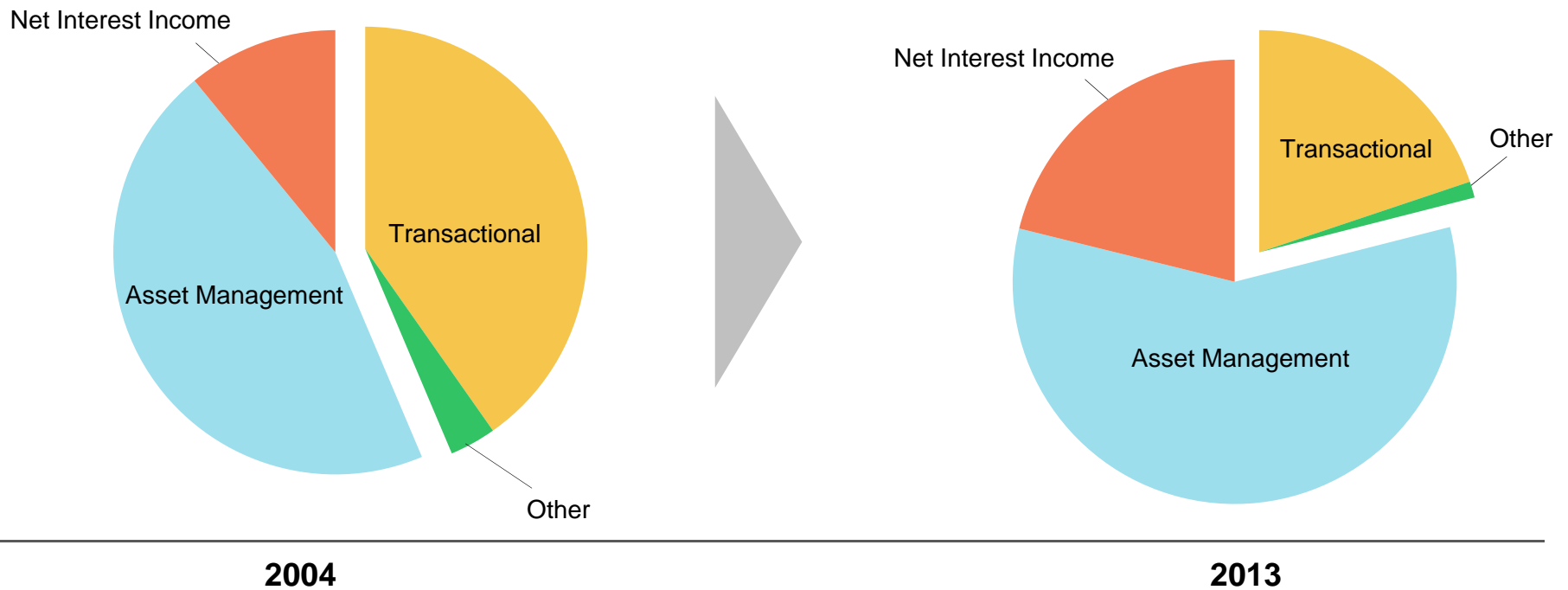
(2) 2004 and 2010 industry fee-based asset data sourced from Cerulli Associates, *Managed Accounts 2013: Moving Toward a Single Platform Environment* data and sourced from *The Cerulli Edge – Managed Accounts Edition*, 1Q 2014 issue.

(3) Wirehouse deposits sourced from company and FDIC filings for 2010 and 2013. Merrill Lynch deposits for 2010 and 2013 are based on Morgan Stanley internal estimates. Wirehouse deposits for 2004 are based on Morgan Stanley internal estimates from limited available data and pro forma for the mergers that occurred between Wachovia and Wells Fargo and Merrill Lynch and Bank of America.

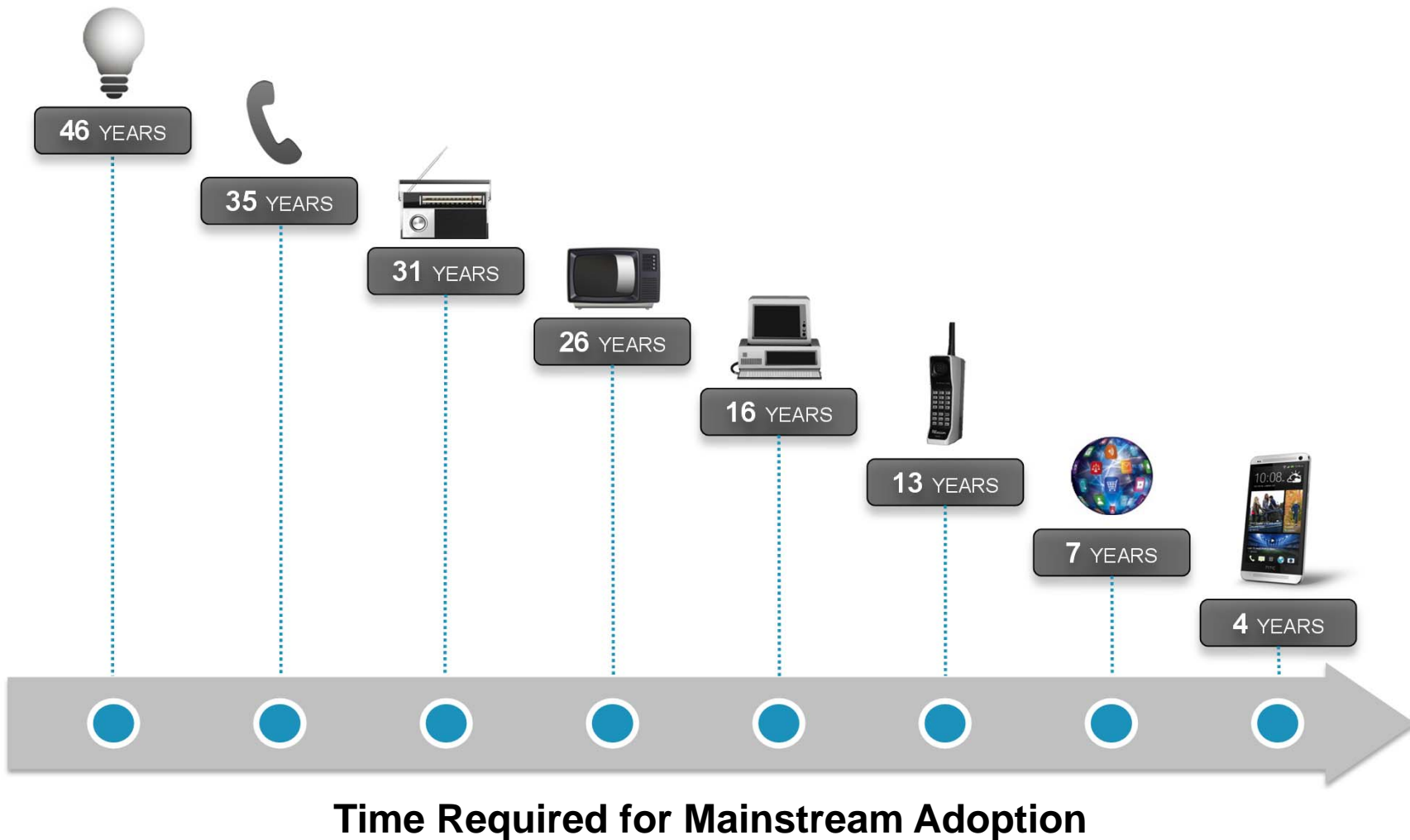


# Change in Revenue Mix Reflects Move to Advice-Driven Model

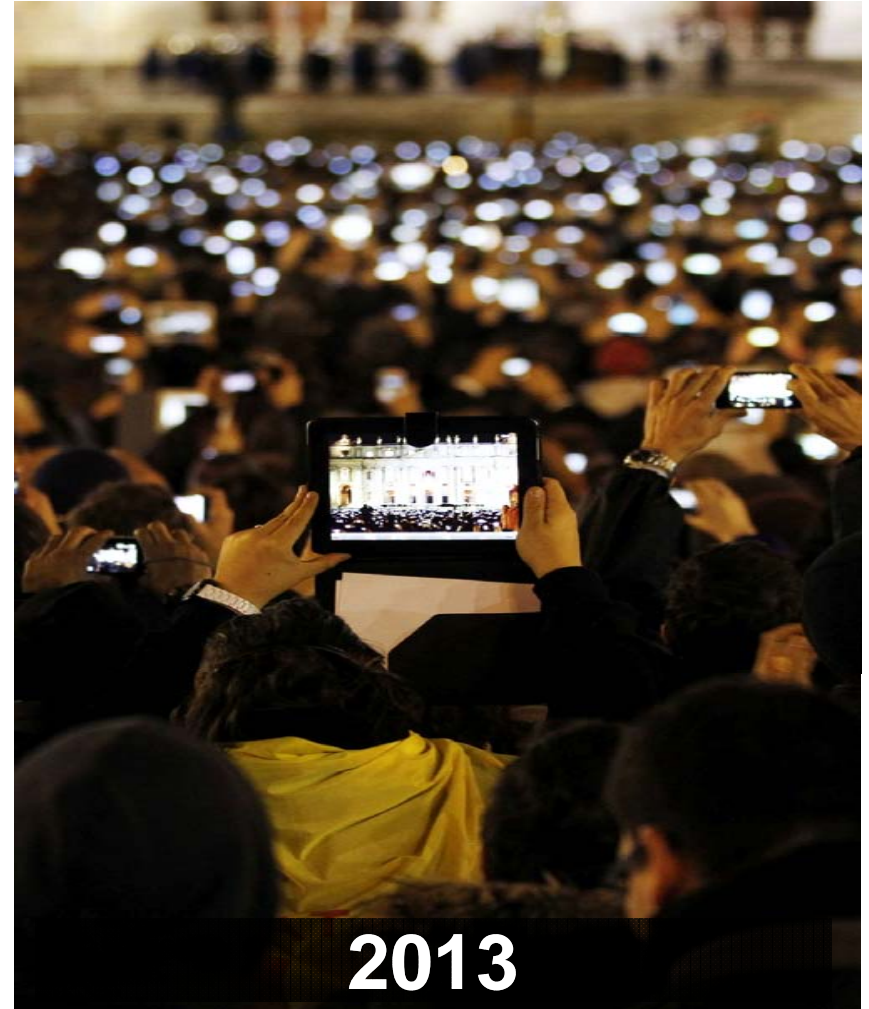
Wirehouse Revenue Mix (%)<sup>(1),(2),(3)</sup>



# Accelerating Mainstream Adoption of Technology Creates Powerful Growth Opportunity



# Impact of Technology Everywhere: Clients, Advisors and Business Models



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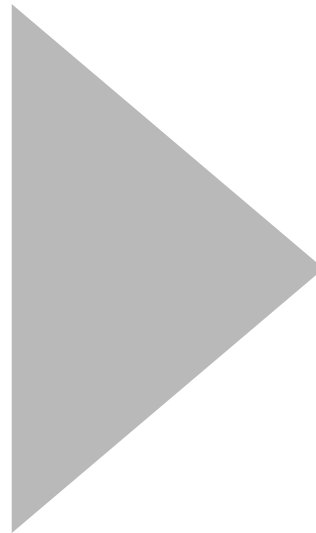
St. Peter's Square

### 3 Technology as a Competitive Advantage

## 3 Technology as a Competitive Advantage

### Morgan Stanley Strengths

- New platforms: Significant investment post integration
- Best-in-class advisors
- Intellectual capital
- Industry leading and broad-based technology expertise and talent
- Scale to invest



### Advisor Platform

- Singular and highly integrated
- Innovative tools to drive productivity

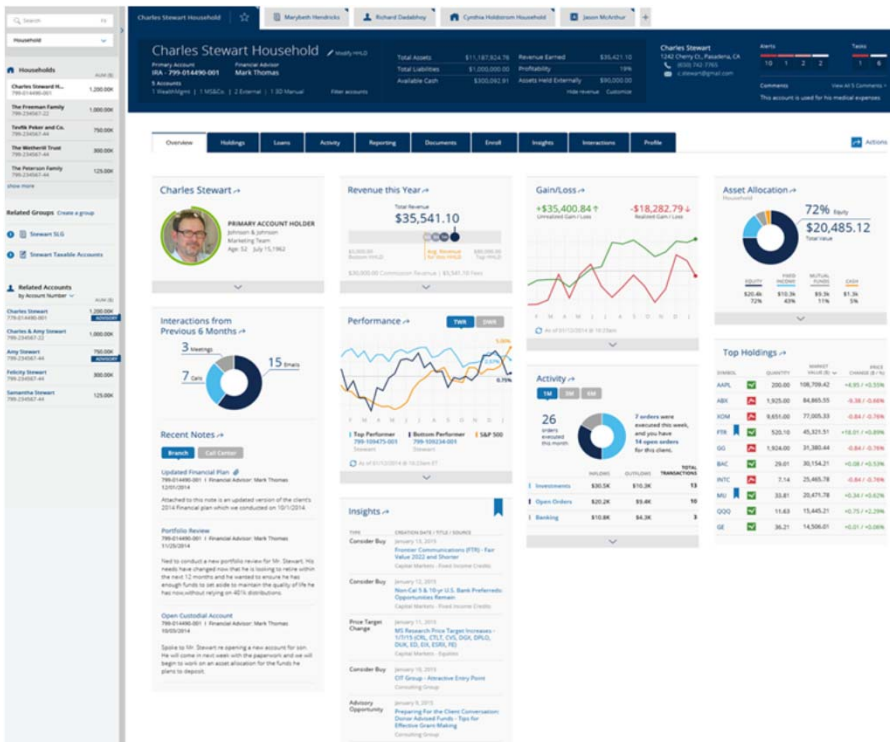
### Client Platforms

- MS Online
- Mobile channels

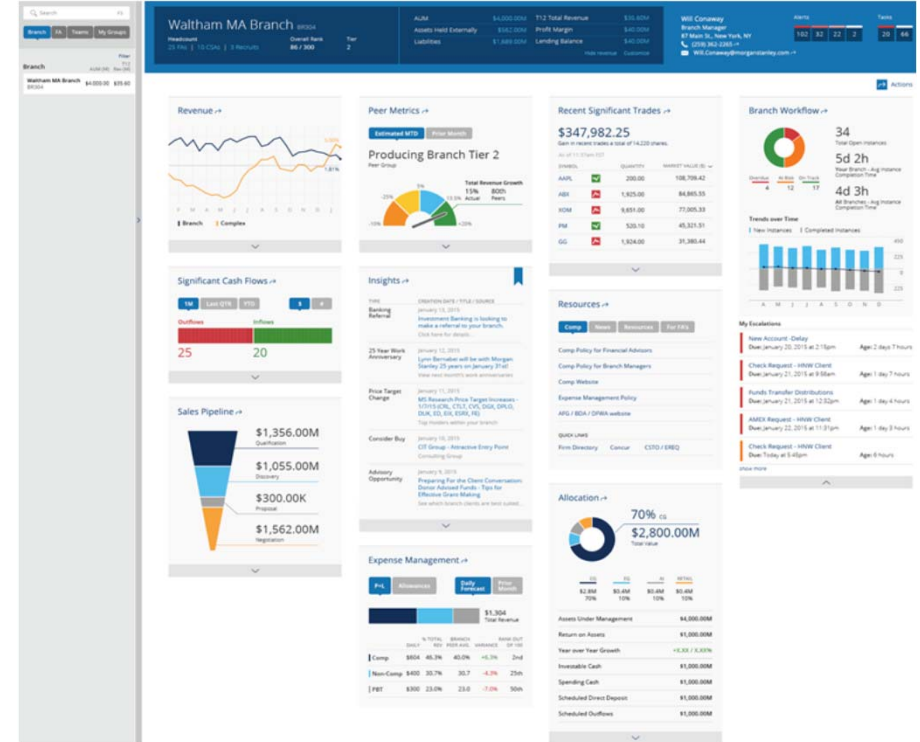
# 3D Advisor Platform – Singular and Highly Integrated

- Increases advisor productivity through a fully integrated system
- Leverages technology in a new way, allowing the advisor to efficiently service client needs

## Client View



## Business View



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# Insights Engine – Innovative Tool for Advisors

- Insights Engine is a desktop-based technology platform that targets client-specific investment ideas to advisors and clients based on historical behavior, current holdings and market conditions

## Shifts in Wealth Management Industry Have Increased Complexity

### Research Complexity

**2,800+** covered securities      **250** daily reports

### Product Complexity

**4,000+** funds      **200+** fund managers      **90+** investment styles

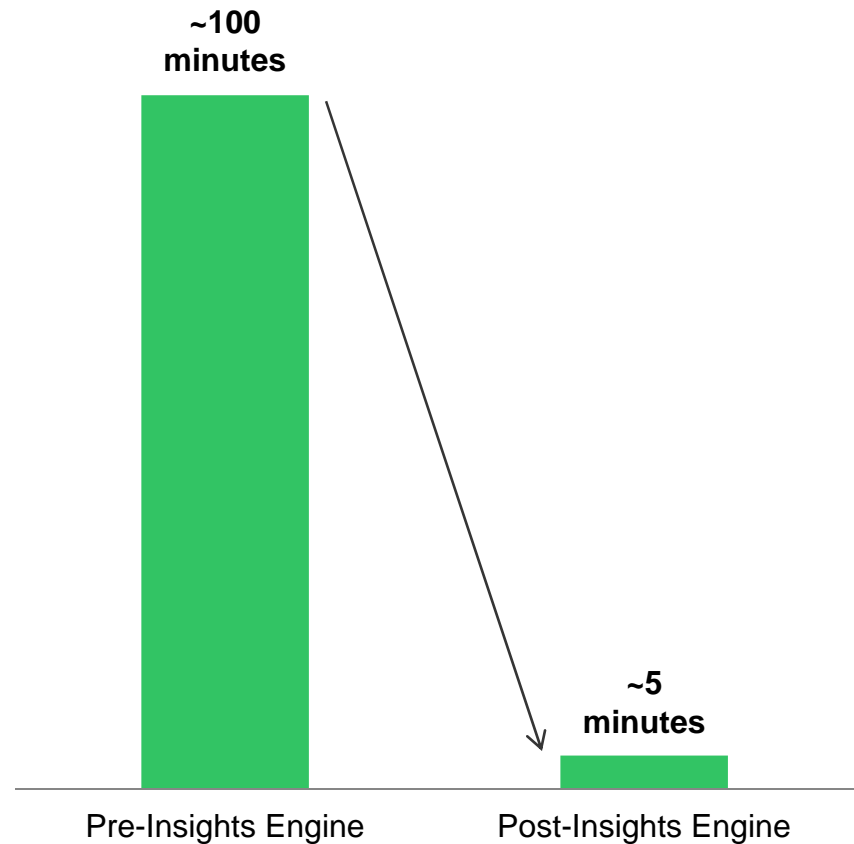
### Book Complexity

**250** clients per FA      **23** unique positions per client      **~5,800** positions to monitor

### Client Complexity

Most clients' assets spread across multiple financial institutions

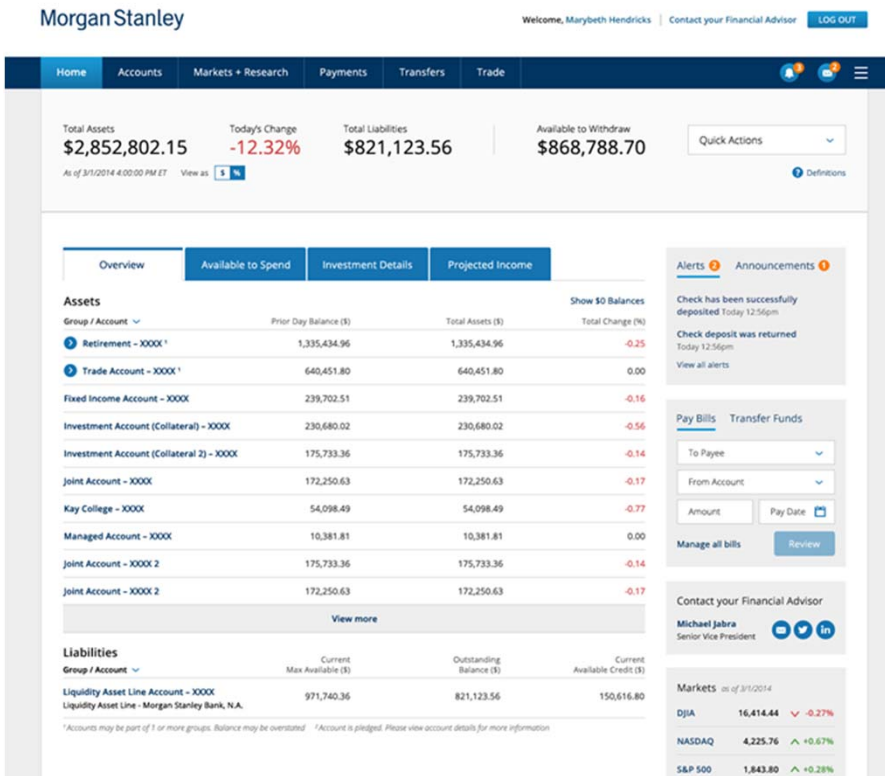
## Illustrative Time to Generate Tactical Investment Idea



# Client Platform – MS Online and Mobile Channels

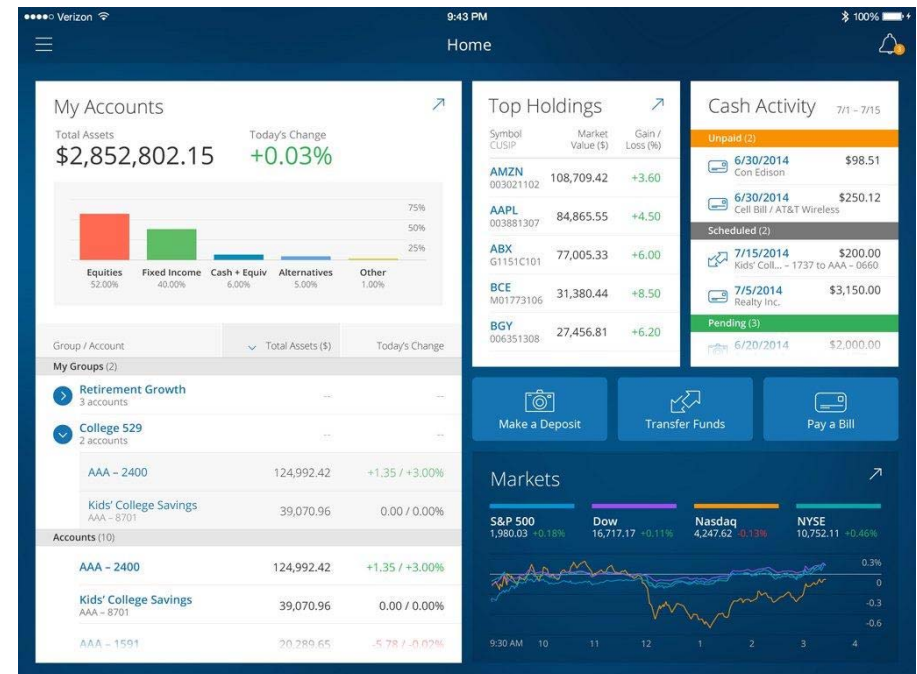
## MS Online

- Enhanced MS Online includes advanced analytical tools, integration of outside assets and tailored content to meet client needs



## Mobile Channels

- iPhone and iPad applications, launched in 2014, provide market-leading cash management capabilities such as online bill pay, mobile check deposits and transfers
- Android application will launch in Spring 2015



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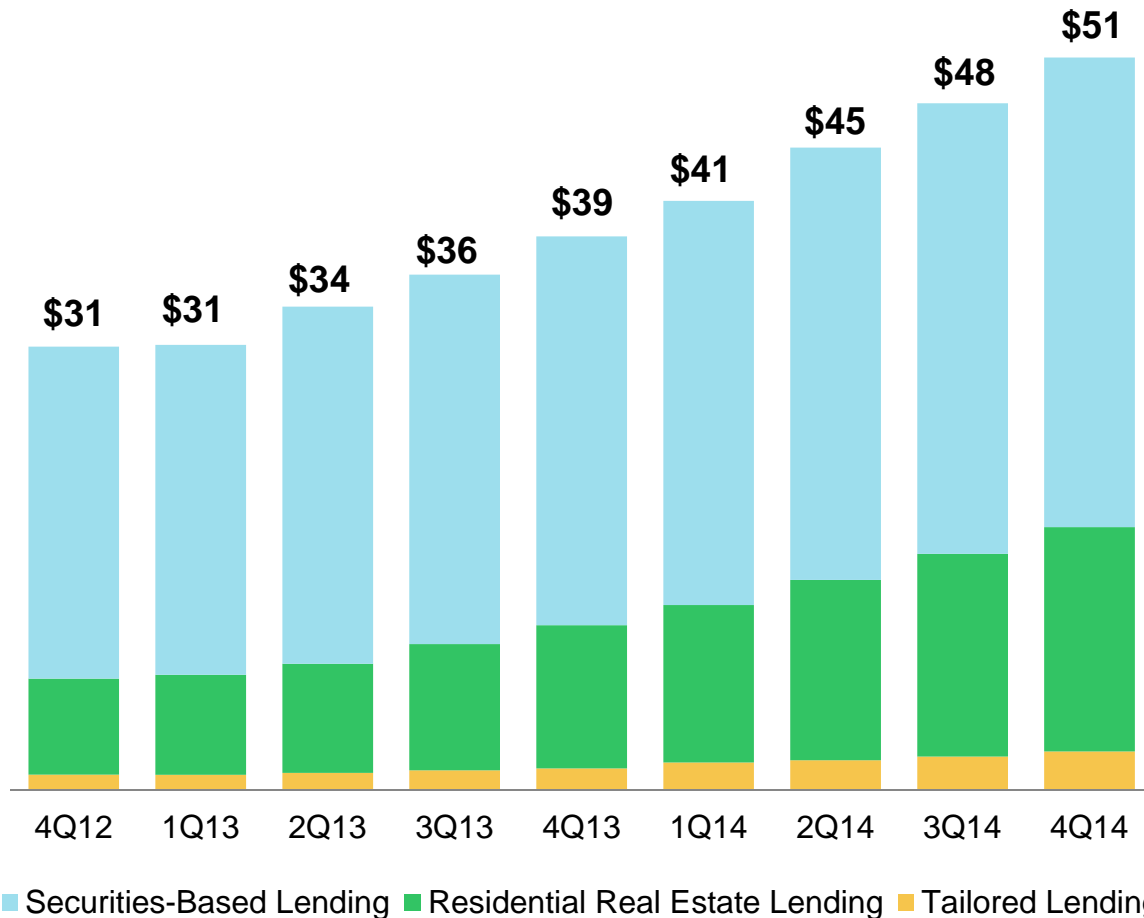


## 4 Broadening the Banking & Lending Platform

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# Delivered Strong and Prudent Lending Growth in Wealth Management

## Lending Balances (\$Bn)<sup>(1)</sup>



## Disciplined Risk Management

### Securities-Based Lending

- Includes lending in both the U.S. bank and broker-dealer
- Low loan-to value (LTV) ratios, with a portfolio average of ~15%<sup>(2)</sup>
- Daily portfolio mark-to-market and dynamic portfolio oversight

### Residential Real Estate Lending

- Average debt to income ratio of ~35%, FICO score >750<sup>(3)</sup>
- LTV of ~65%<sup>(3)</sup>
- Low historical losses and current delinquencies

### Tailored Lending

- Serve ultra-high net worth (UHNW) clients with substantial assets and cash flow
- Primarily lend on a secured basis, with personal recourse to the client
- Highly customized offerings and competitive solutions

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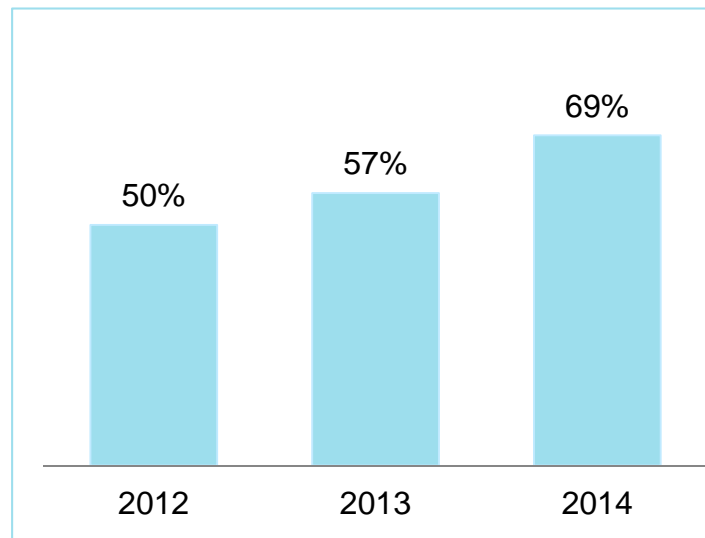
(1) Figures represent Wealth Management lending balances out of both the Morgan Stanley Smith Barney LLC broker-dealer and the U.S. Subsidiary Banks; Residential mortgages include HELOCs. U.S. Subsidiary Banks refer to the Firm's U.S. bank operating subsidiaries Morgan Stanley Bank, N.A. (MSBNA) and Morgan Stanley Private Bank, National Association (MSPBNA). Residential mortgages are made by MSPBNA, an Equal Housing Lender.

(2) Loan-to-value based on Market Value. Securities Based Lending products include: Portfolio Loan Account (PLA), Express Credit Line (ECL) and Margin.

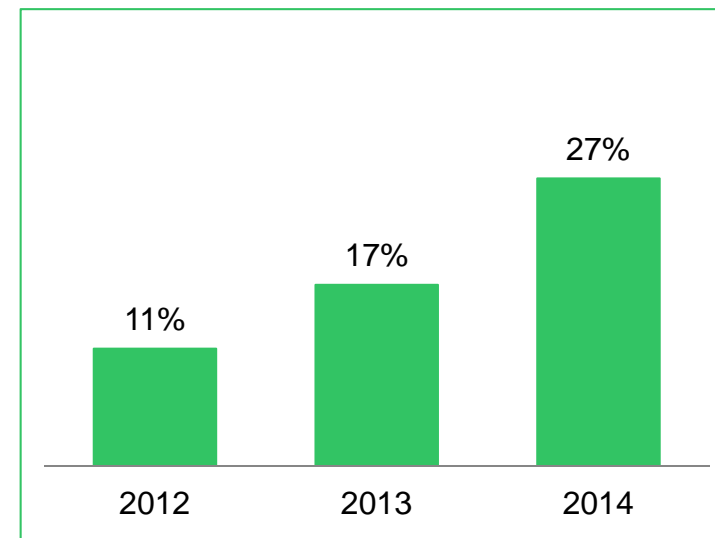
(3) Average debt-to-income, FICO and loan-to-value ratios are as of December 31, 2014.

# Significant Organic Growth Opportunities Remain Within Our Existing Client and Advisor Base

**A Significant Percentage of our FAs Have Engaged With at Least One New Lending Solution...**



**...And an Increasing Number Have Initiated Four or More New Lending Products**



## Growth Drivers

- Product expansion
- Greater client awareness
- Increasing FA engagement
- Continued investments in platform & services

# Focused on Products That Are Tailored to Our Wealth Management Client Base and Advisors

## Client Benefits

### Securities-Based Lending

- Flexible terms, competitive pricing and efficient access to liquidity for many purposes
- Allows clients to maintain investment strategies while meeting liquidity needs

### Residential Real Estate Lending

- Broad product offering and specialized underwriting for affluent clients
- High touch service-offering for top FA's and Wealth Management clients

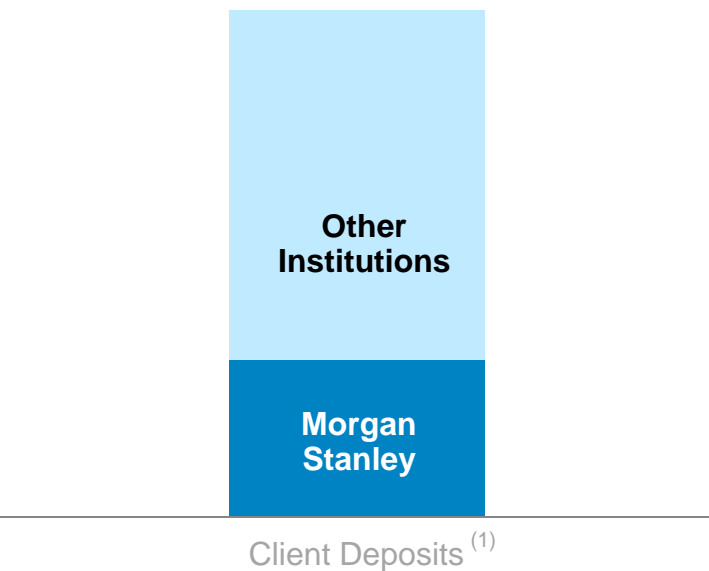
### Tailored Lending

- Highly customized solutions for the sophisticated lending needs of our wealthiest clients
- Critical offering for the retention and acquisition of assets of our UHNW clients

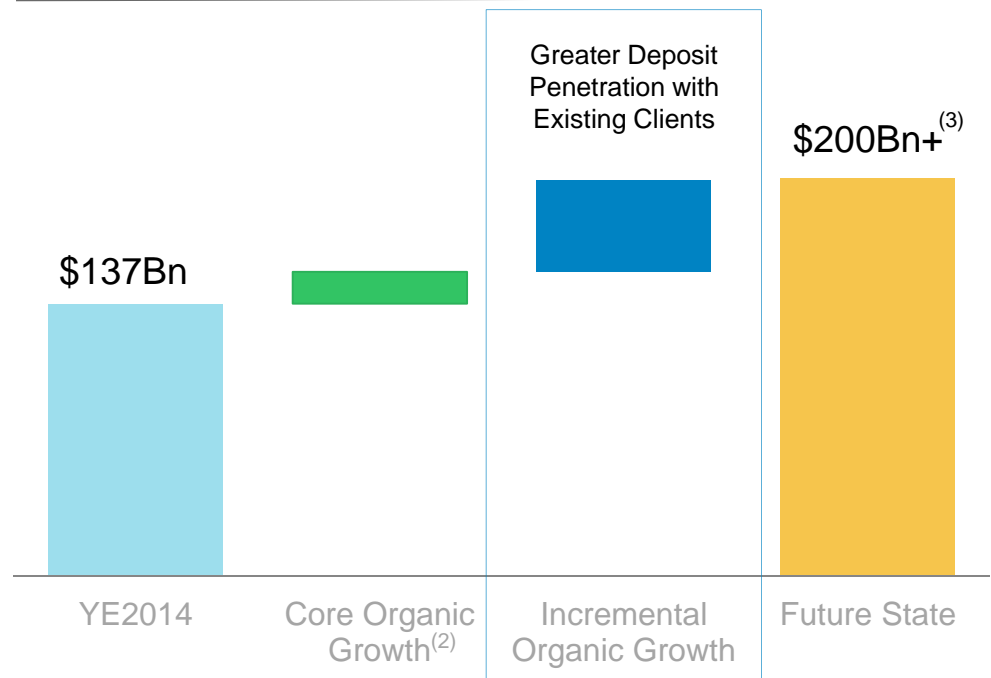
# Deposit Strategy Aligned With Continued, Prudent Loan Growth

- Meaningful opportunities remain across both the Wealth Management and Institutional Securities client base to generate loan growth while maintaining current credit risk profile
- Significant opportunity to attract greater share of deposits from our existing client base to fund expected loan growth

## Upside to U.S. Bank Strategy



## U.S. Bank Deposit Potential



(1) Illustrative: not to scale.

(2) Core organic growth is estimated based on historic deposit growth, projected inflation rates and gross domestic product growth.

(3) The attainment of this potential growth opportunity may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

# Growing Deposits Through Expanded Client Access to Banking Services

## Advisor Centric

- Trusted client relationship
- Personal service
- Supported by access to experts
- Backed by 24/7 service

## Integrated with Wealth Management

- Consolidated cash and investments
- Financial plan advice and monitoring
- Opportunity to deploy idle cash
- Liability consulting

## Client Solutions

## Customized Digital Offering

- Digital tools built for affluent clients
- Leading cash management features
- Convenient mobile check deposits
- Exceptional user experience

## Suite of Cash Management Solutions

- Full service Active Assets Account
- Expanding deposit product line
- Full suite of payments services
- Distinct debit and credit card offer

# Building Competitive Suite of Cash Management Solutions

- Integrated, Advisor Centric Value Proposition
- Leading Mobile Cash Management
  - Corporate Insights rates MS Mobile “A”
- Enhanced Morgan Stanley Online
  - Consolidated view of Assets and Liabilities
  - Integrated bill pay and cash management
- Integrated Payment Features
  - Morgan Stanley EMV Debit Card
  - Distinct American Express cards
  - ApplePay
- Access to New Deposit Products
  - Savings and Term Deposits



**Morgan Stanley Mobile App  
Receives The Only “A” Grade For  
Cash Management Capabilities.<sup>1</sup>**

With industry-leading cash management capabilities on the Morgan Stanley Mobile App, you have the freedom to conduct your everyday cash management needs when and where you want.<sup>2</sup>

Experience it now.  
Visit [www.morganstanley.com/app](http://www.morganstanley.com/app)

**Capabilities Include:**

- Cutting edge image technology to scan and deposit checks.<sup>3</sup>
- Easy to find cash management transaction functions.
- Options for recurring bill payment and funds transfer.

The Morgan Stanley Mobile App is available for download from the App Store<sup>SM</sup> for iPhone<sup>SM</sup> and iPad<sup>SM</sup>. Android support will follow.

<sup>1</sup> Mobile Monitor Report 2014 by Corporate Insight: “Money on the Move: Transfers, Payments & Deposits.”  
<sup>2</sup> Subject to cell phone connectivity. Standard messaging and data rates from your provider may apply.  
<sup>3</sup> Subject to certain terms and conditions. Checks must be drawn on a U.S. Bank.  
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# Putting It All Together



# Putting It All Together

- 1 Wealth Management: Performance and Growth
- 2 Fast Changing Industry and World
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- 4 Broadening the Banking & Lending Platform

**Unique combination of demonstrated ability to execute, with outsized opportunity for organic growth**

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