Credit Suisse 2015 Financials Conference

Gregory J. Fleming

President of Morgan Stanley Wealth Management and Morgan Stanley Investment Management

February 10, 2015
The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in this presentation and in the Company’s most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as applicable, which are available on www.morganstanley.com.

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management’s current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. The Company does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of forward-looking statements. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company’s most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as applicable, which are available on www.morganstanley.com. This presentation is not an offer to buy or sell any security.

Please note this presentation is available at www.morganstanley.com.
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

Morgan Stanley
1. Wealth Management: Performance and Growth
Optimizing Margin Discipline While Making Investments to Drive Growth

**Wealth Management Focus on Margin AND Growth**

**Wealth Management Pre-Tax Margin (%)**

- 2009: 6%
- 2010: 9%
- 2011: 10%
- 2012: 14%
- 2013: 18%
- 2014: 20%
- 4Q15: 22-25%

**Wealth Management Pre-Tax Earnings ($MM)**

- 2009: $536
- 2010: $1,063
- 2011: $1,252
- 2012: $1,765
- 2013: $2,604
- 2014: $2,985

---

(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.

Morgan Stanley
2 Fast Changing Industry and World
Trajectory of U.S. Equity Markets (1) (Sep 1994 – Dec 2014)

Index 100 = September 1, 1994

Dotcom Bubble

- **Time Period**: March 11, 2000 – October 9, 2002
- **Market Decline**: Nasdaq down 78%, S&P down 45%

Credit Crisis

- **Time Period**: July 1, 2007 – March 9, 2009
- **Market Decline**: Nasdaq down 51%, S&P down 55%

Note: 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)\(^{(1),(2)}\)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,187</td>
<td>$2,154</td>
<td>$3,459</td>
<td></td>
</tr>
</tbody>
</table>

2004-2013 Wirehouse Deposits ($Bn) \(^{(1),(3)}\)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>$280</td>
<td>$450</td>
<td>$524</td>
<td></td>
</tr>
</tbody>
</table>

---


(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 (%)\(^{(1),(2),(3)}\)

<table>
<thead>
<tr>
<th>2004</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Interest Income</strong></td>
<td><strong>Net Interest Income</strong></td>
</tr>
<tr>
<td><strong>Transactional</strong></td>
<td><strong>Transactional</strong></td>
</tr>
<tr>
<td><strong>Asset Management</strong></td>
<td><strong>Asset Management</strong></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td><strong>Other</strong></td>
</tr>
</tbody>
</table>

(1) Illustrative: not to scale.
(3) Wirehouse revenue mix sourced from company filings.
Accelerating Mainstream Adoption of Technology Creates Powerful Growth Opportunity

(1) Data sourced from Singularity Technologies.

Time Required for Mainstream Adoption

- 46 YEARS
- 35 YEARS
- 31 YEARS
- 26 YEARS
- 16 YEARS
- 13 YEARS
- 7 YEARS
- 4 YEARS
Impact of Technology Everywhere: Clients, Advisors and Business Models

2005

St. Peter’s Square

2013

Morgan Stanley
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
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**

<table>
<thead>
<tr>
<th>Research Complexity</th>
<th>Product Complexity</th>
<th>Book Complexity</th>
<th>Client Complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,800+ covered securities</td>
<td>4,000+ funds</td>
<td>250 clients per FA</td>
<td>Most clients’ assets spread across multiple financial institutions</td>
</tr>
<tr>
<td>250 daily reports</td>
<td>200+ fund managers</td>
<td>23 unique positions per client</td>
<td></td>
</tr>
<tr>
<td>~100 minutes</td>
<td>90+ investment styles</td>
<td>~5,800 positions to monitor</td>
<td></td>
</tr>
</tbody>
</table>

**Illustrative Time to Generate Tactical Investment Idea**

- ~100 minutes Pre-Insights Engine
- ~5 minutes Post-Insights Engine

Morgan Stanley
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
Broadening the Banking & Lending Platform
Delivered Strong and Prudent Lending Growth in Wealth Management

Lending Balances ($Bn)\(^{(1)}\)

<table>
<thead>
<tr>
<th>4Q12</th>
<th>1Q13</th>
<th>2Q13</th>
<th>3Q13</th>
<th>4Q13</th>
<th>1Q14</th>
<th>2Q14</th>
<th>3Q14</th>
<th>4Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>$31</td>
<td>$31</td>
<td>$34</td>
<td>$36</td>
<td>$39</td>
<td>$41</td>
<td>$45</td>
<td>$48</td>
<td>$51</td>
</tr>
</tbody>
</table>

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\(^{(2)}\)
- Daily portfolio mark-to-market and dynamic portfolio oversight

**Residential Real Estate Lending**
- Average debt-to-income ratio of ~35%, FICO score >750\(^{(3)}\)
- LTV of ~65\(^{(3)}\)
- 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

---

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

2012 2013 2014

50% 57% 69%

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

2012 2013 2014

11% 17% 27%

Growth Drivers

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

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

Morgan Stanley
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

Morgan Stanley
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

- $137Bn
- Core Organic Growth
- Incremental Organic Growth
- Greater Deposit Penetration with Existing Clients
- Future State: $200Bn+

Notes:
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

**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

---

(1) Morgan Stanley Smith Barney LLC (MSSB), member of SIPC, is a registered broker-dealer, not a bank. Where appropriate MSSB has entered into arrangements with banks, including MSPBNA and MSBNA, and other third parties in offering certain banking and lending related products and services.
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

(1) Morgan Stanley Smith Barney LLC (MSSB), member of SIPC, is a registered broker-dealer, not a bank. Where appropriate MSSB has entered into arrangements with banks, including MSPBNA and MSBNA, and other third parties in offering certain banking and lending related products and services.
Putting It All Together
Putting It All Together

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

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

Morgan Stanley
Credit Suisse 2015 Financials Conference

Gregory J. Fleming

President of Morgan Stanley Wealth Management and Morgan Stanley Investment Management

February 10, 2015