Morgan Stanley

# Morgan Stanley 2017 U.S. Financials Conference

Naureen Hassan, Chief Digital Officer for Wealth Management June 13, 2017

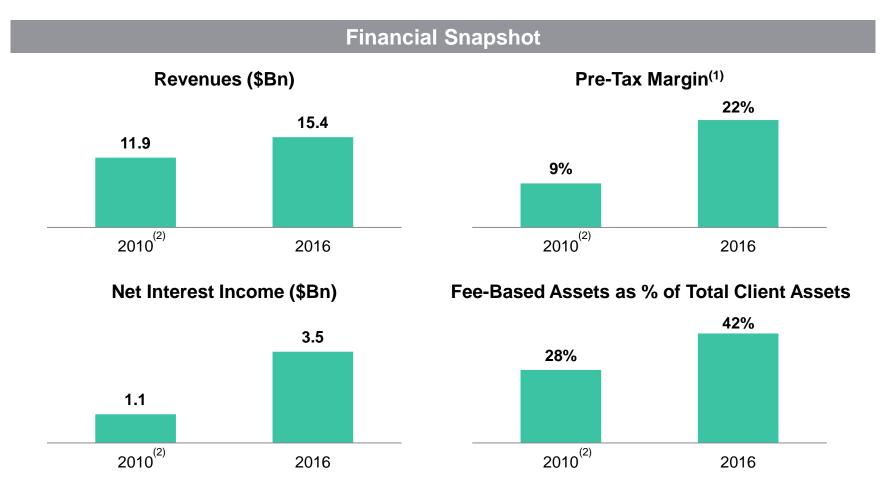
#### **Notice**

The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company's Annual Report on Form 10-K, Definitive Proxy Statement, Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto, which are available on <a href="https://www.morganstanley.com">www.morganstanley.com</a>.

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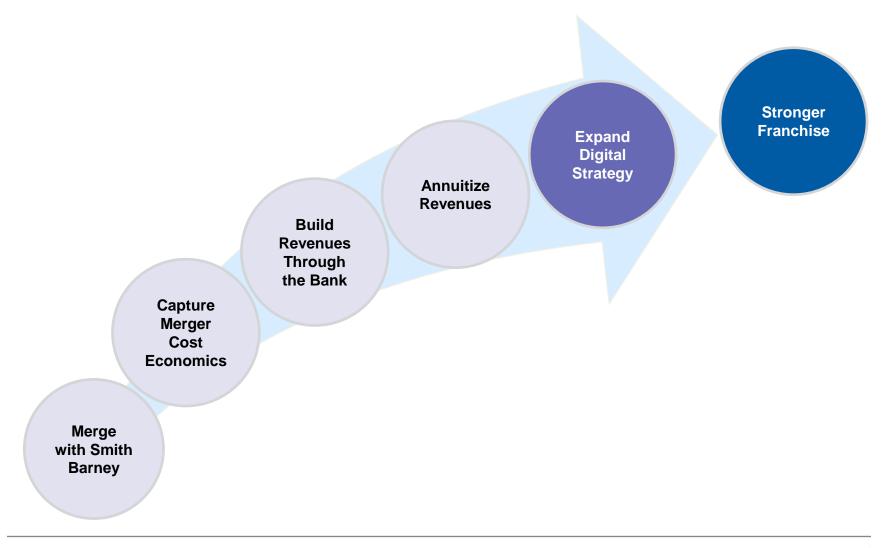
### Wealth Management Has Achieved Demonstrable Scale and Size



<sup>1.</sup> Pre-tax margin represents income (loss) from continuing operations before taxes divided by Net Revenues. Pre-tax margin is a non-GAAP financial measure that the Company considers useful for investors and analysts to assess operating performance.

<sup>2. 2010</sup> data has been recast to exclude the Managed Futures and International Wealth Management businesses, which are now reported in the Investment Management and the Institutional Securities business segments, respectively.

# Significant Progress Since JV, Digital Next Step In the Evolution



How Can Our Financial Advisors Be More Effective and Efficient?

How Can We Attract New Client Assets?

If We Designed Our Branch Processes Today, How Would They Be Different?

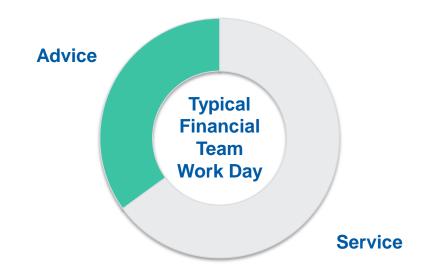
1

# How Can Our Financial Advisors Be More Effective and Efficient?

**FA Productivity Has Improved...** 

...But Service Remains Dominant Part of Day

#### **Annualized Revenue Per WM Representative**



<sup>1. 2010</sup> data has been recast to exclude the Managed Futures and International Wealth Management businesses, which are now reported in the Investment Management and the Institutional Securities business segments, respectively.

2

### **How Can We Attract New Client Assets?**

We Are The Largest US Wealth Manager<sup>(1)</sup>...

...But Asset Gathering Opportunity Exists

\$2.2 Trillion

**Morgan Stanley Client Assets** 

\$2.3 Trillion

Estimated MS Clients' Assets Held Away<sup>(2)</sup>

\$2.9 Trillion

Estimated US Intergenerational
Wealth Transfer Over Next 10 Years<sup>(3)</sup>

<sup>1.</sup> Morgan Stanley U.S. Wealth Management Rank denotes total Morgan Stanley clients assets as of March 31, 2017. Peers included in the U.S. Rank are Merrill Lynch Global Wealth Management, Wells Fargo Wealth and Investment Management, and UBS Wealth Management Americas.

<sup>2.</sup> Client Assets Held Away is sourced from IXI Corporation data as of June 2016.

<sup>3.</sup> Data sourced from Accenture's "The 'Greater' Wealth Transfer" report.

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# If We Designed Our Branch Processes Today, How Would They Be Different?

#### Consolidated Branches, Expense Focus...

#### **Total Retail Locations**



#### Non-Compensation Expenses As % of Revenues(2)



#### ...But Efficiency Opportunity Remains

For FY 2016, Our Branch System Had:

~7,000

**Service and Operation Roles** 

~4,000,000

**Paper Documents Processed** 

~5,000,000

**Client Journals Processed Manually** 

- 1. 2010 Retail Branch Locations has been recast to exclude global offices outside of the US.
- 2. Non-compensation expenses as % of revenues represents a non-GAAP financial measure that the company considers useful for investors and analysts to assess operating performance.
- 3. 2010 data has been recast to exclude the Managed Futures and International Wealth Management businesses, which are now reported in the Investment Management and the Institutional Securities business segments, respectively.

## Digital Proposition: For Our Current Clients and The Future



# Predictive Analytics: Identify Engagement Opportunities

### **Opportunity Types**





**Investment & Liability Related** 

Security Upgrades / Downgrades
Portfolio Allocation Recommendations
Lending / Refinancing Opportunities



**Life Events** 

Birth of Child
Estate Planning
Elder Care



**Service Alerts** 

Margin Call

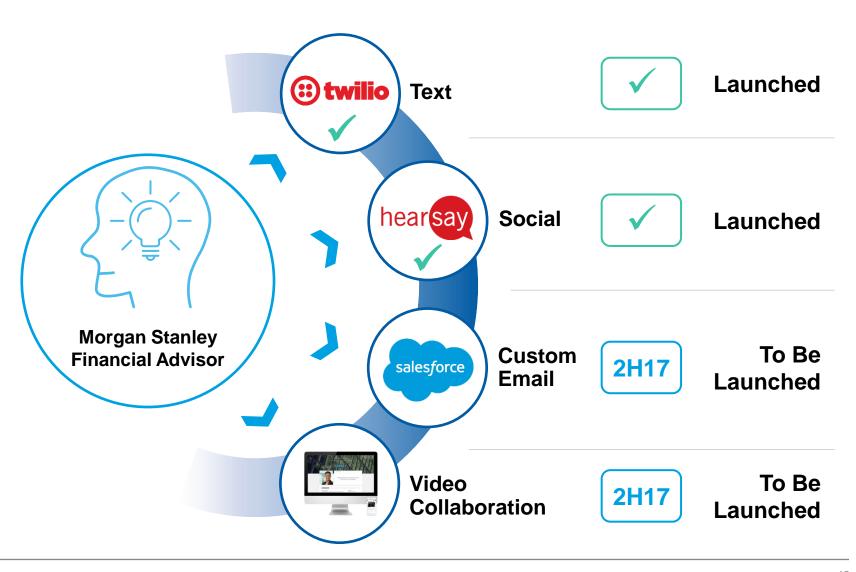
Maturing Bond

Required Minimum Distribution

# 1 Predictive Analytics: Investment Recommendation Example

# **Example: Research Upgrades Key Sector Today: FA Driven Future: Analytics Enhanced** Steps FA Reads Research Report & System Identifies Impacted Clients **Identifies Impacted Clients** FA Develops Recommendation System Generates Product Recommendation Limited Comparison to Other Potential Events System Compares Impact to Other Potential Affecting Client **Events Affecting Client and Prioritizes** FA Begins Calling Largest Clients System Drafts Email to Client for FA To Send No Systematic Capture of Client Response System Monitors Client Response

# 1 Digitally Scaled Outreach: Multichannel Communication



# Targeting New Asset Growth Opportunities

A Intergenerational Wealth Transfer

Morgan Stanley Corporate Plans

Prospects Who
Require Digital
Advice Capabilities

**Connect Stock Plan Experience with MSWM Platform to Drive Conversions** 

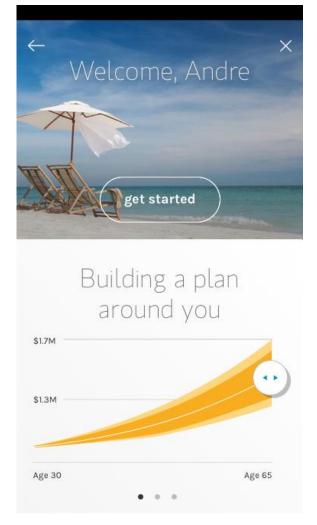






Investable Assets Held Away of Stock Plan Clients with No MSWM Relationship is sourced from IXI Corporation data as of June 2016.

# Morgan Stanley Automated Investing Platform





#### **Key Features**

Goals Based Investing Approach

Thematic Investment Overlays

Automated Tax Loss Harvesting

Simple Account Opening & Funding

#### Launch

2H 2017

# Morgan Stanley Digital Mortgage Platform For Clients

98% of Clients Do Not Have A Mortgage With Us Today

Current Mortgage Process

Digital Mortgage: 1H 2018 Launch

**Product Introduced By FA Referral** 

**Product Available Digitally & By FA Referral** 

**Paper Application** 

**Digital Application** 

**Indicative Pricing Available via FA** 

**Dynamic Rate Calculators** 

**Document Submission by Mail / Fax / Email** 

**Digital Document Submission** 



## **Digitizing Branch System and FA Operations**

Automate & Centralize Branch Processes

**Enhance Client Self-Service** 

#### **Digital Enhancements Underway**

E-Authorization For Wires



Mobile Equity Trading



Debit Card & Check Ordering



Retirement Distribution



New Account Opening



eDelivery Enrollment



Person-to-Person Payments



**Asset Transfers** 



IRA Beneficiary Changes

2H17

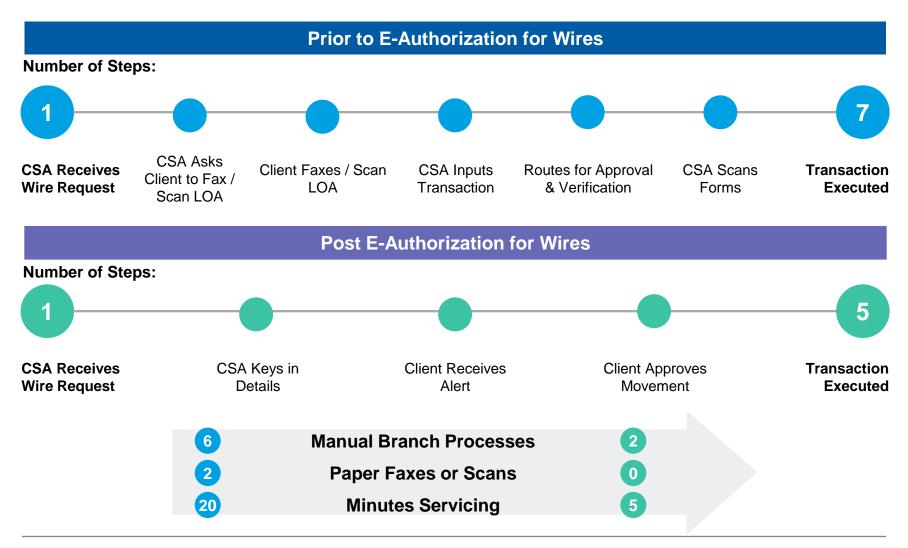
Address & Phone Changes

2H17

+30 Self-Service Enhancements Planned

**Maximize Time Spent on Advice versus Client Servicing** 

# Oigitizing Branch Processes: E-Authorization Example



Branches Have Evolved, Digital Promises More Progress

**Today's Branch Support Future Branch Support** Disconnected and **Automated and Processes Integrated Workflow** Paper-Based Reactive **Client Interactions Proactive Transactional Sales Support to Purpose Client Support Grow Business** 

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