

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 [www.morganstanley.com](http://www.morganstanley.com).

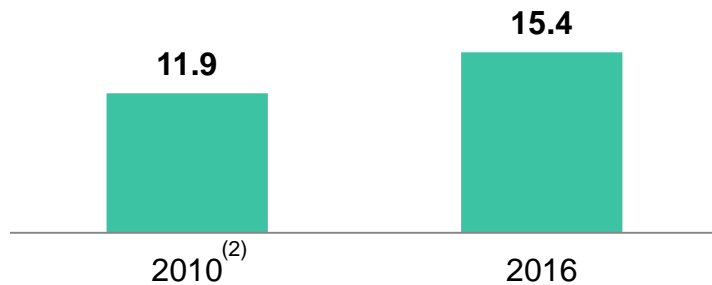
This presentation may contain forward-looking statements including the attainment of certain financial and other targets and goals. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, 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](http://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](http://www.morganstanley.com).

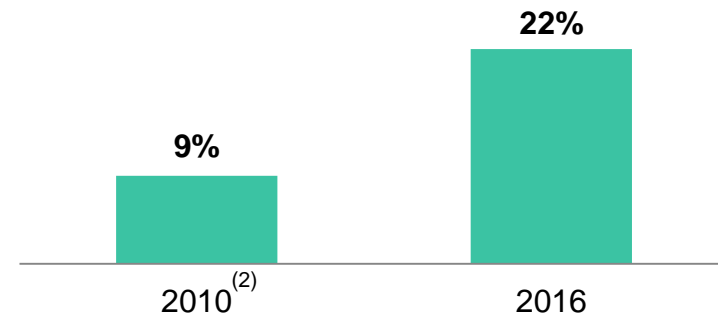
# Wealth Management Has Achieved Demonstrable Scale and Size

## Financial Snapshot

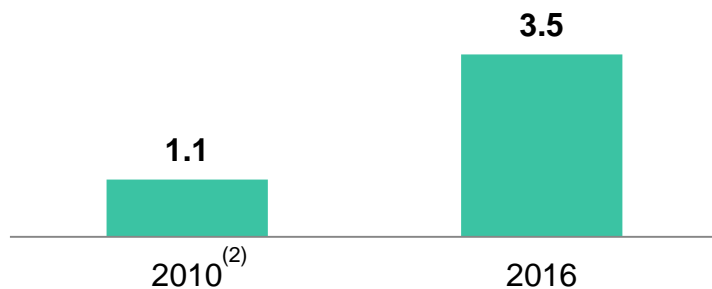
Revenues (\$Bn)



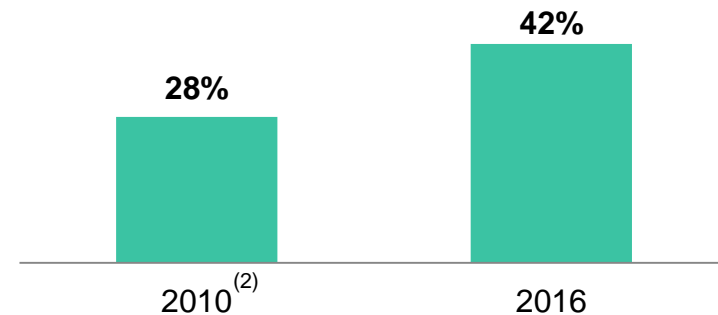
Pre-Tax Margin<sup>(1)</sup>



Net Interest Income (\$Bn)

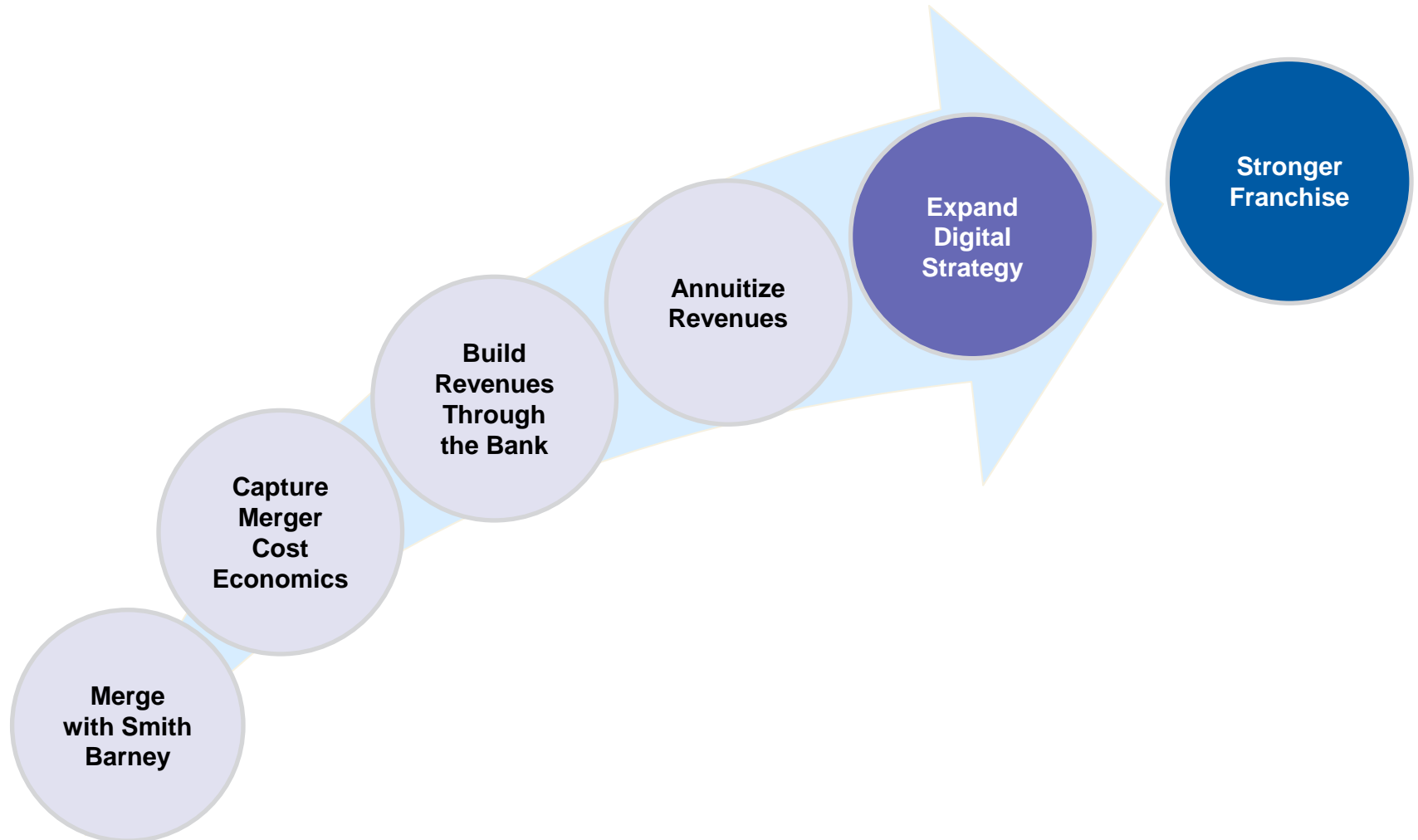


Fee-Based Assets as % of Total Client Assets



1. 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.  
 2. 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.

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



## What Do We Ask Ourselves When We Say Digital?

1

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

2

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

3

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

## What Do We Ask Ourselves When We Say Digital?

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**

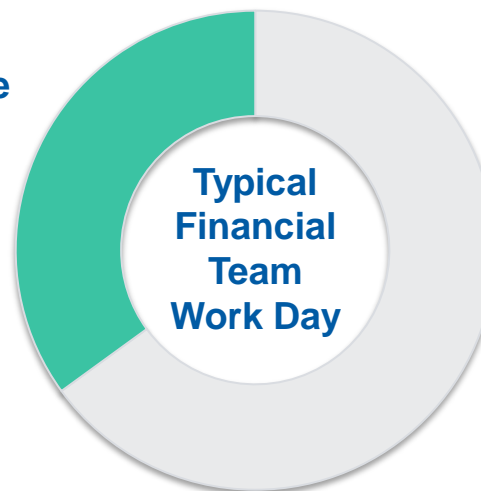
\$664,000

2010<sup>(1)</sup>

\$1,029,000

1Q 2017

Advice



Service

1. 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.

## What Do We Ask Ourselves When We Say Digital?

2

### How Can We Attract New Client Assets?

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

**\$2.2 Trillion**

**Morgan Stanley Client Assets**

**...But Asset Gathering Opportunity Exists**

**\$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>**

1. 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.
2. Client Assets Held Away is sourced from IXI Corporation data as of June 2016.
3. Data sourced from Accenture's "The 'Greater' Wealth Transfer" report.

# What Do We Ask Ourselves When We Say Digital?

**3** **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<sup>(2)</sup>**



**...But Efficiency Opportunity Remains**

**For FY 2016, Our Branch System Had:**

~7,000

**Service and Operation Roles**

~4,000,000

**Paper Documents Processed**

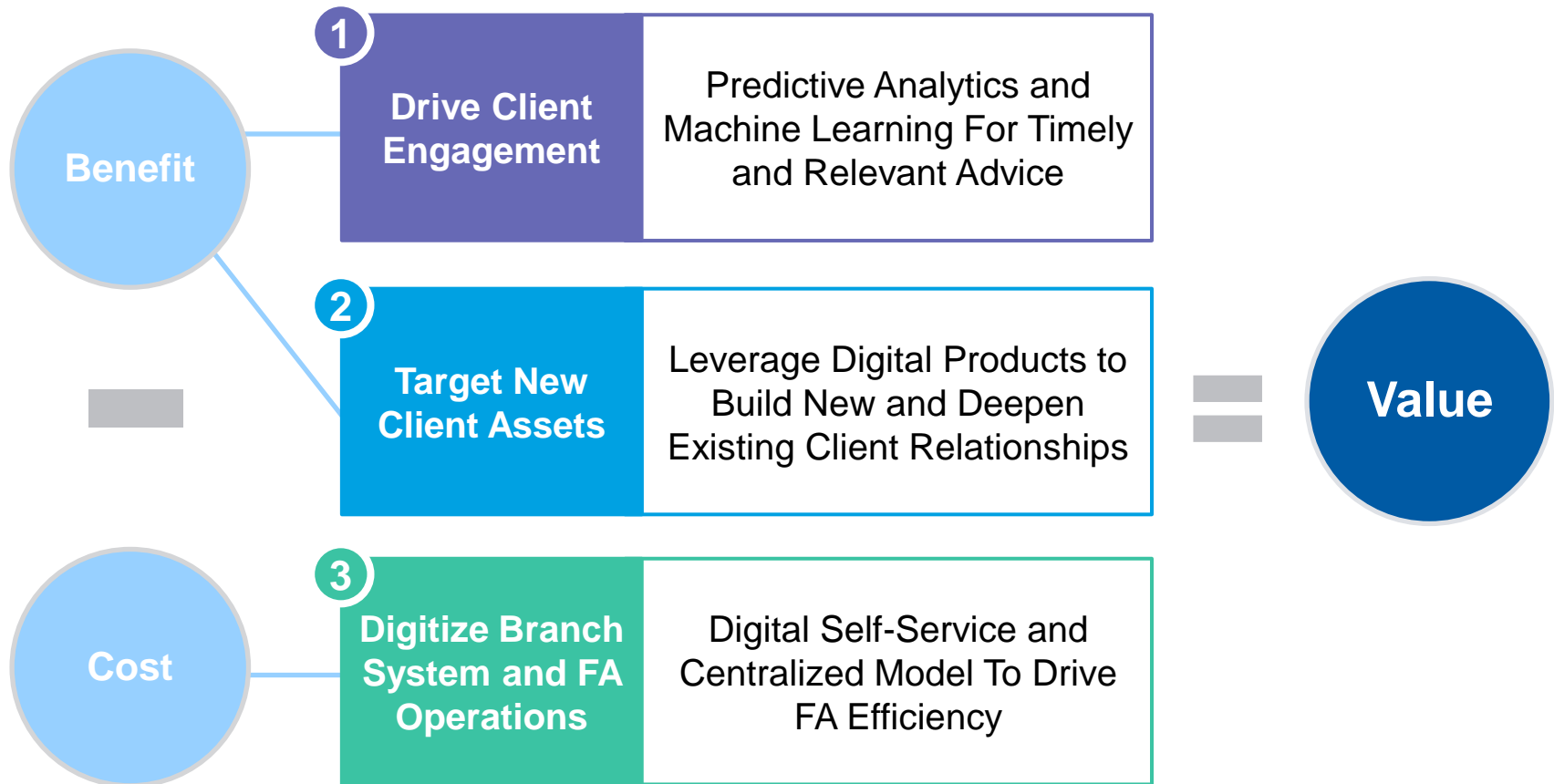
~5,000,000

**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



# 1 Predictive Analytics: Identify Engagement Opportunities

## Opportunity Types



**Investment & Liability Related**



**Life Events**



**Service Alerts**

## Examples

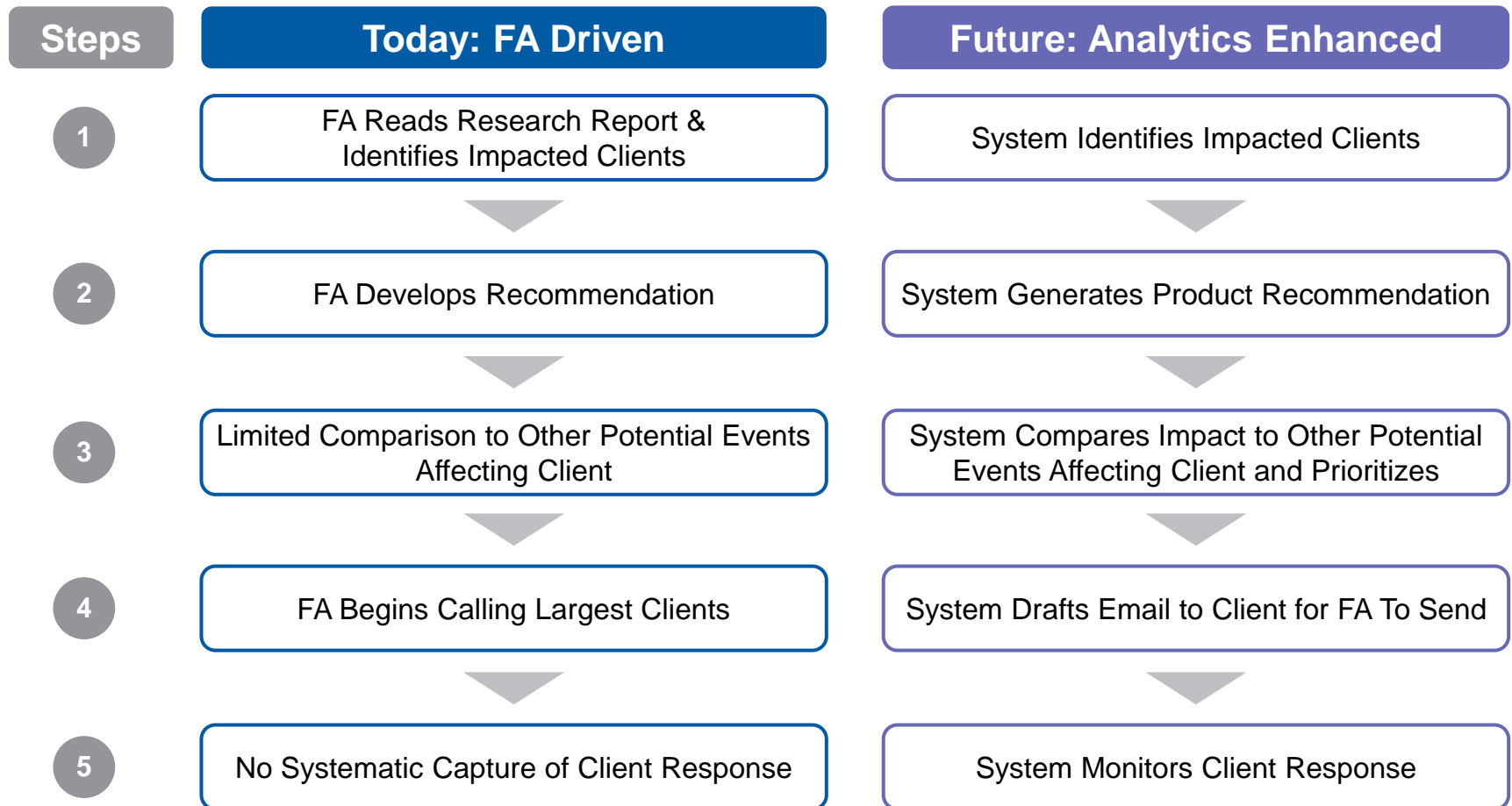
**Security Upgrades / Downgrades**  
**Portfolio Allocation Recommendations**  
**Lending / Refinancing Opportunities**

**Birth of Child**  
**Estate Planning**  
**Elder Care**

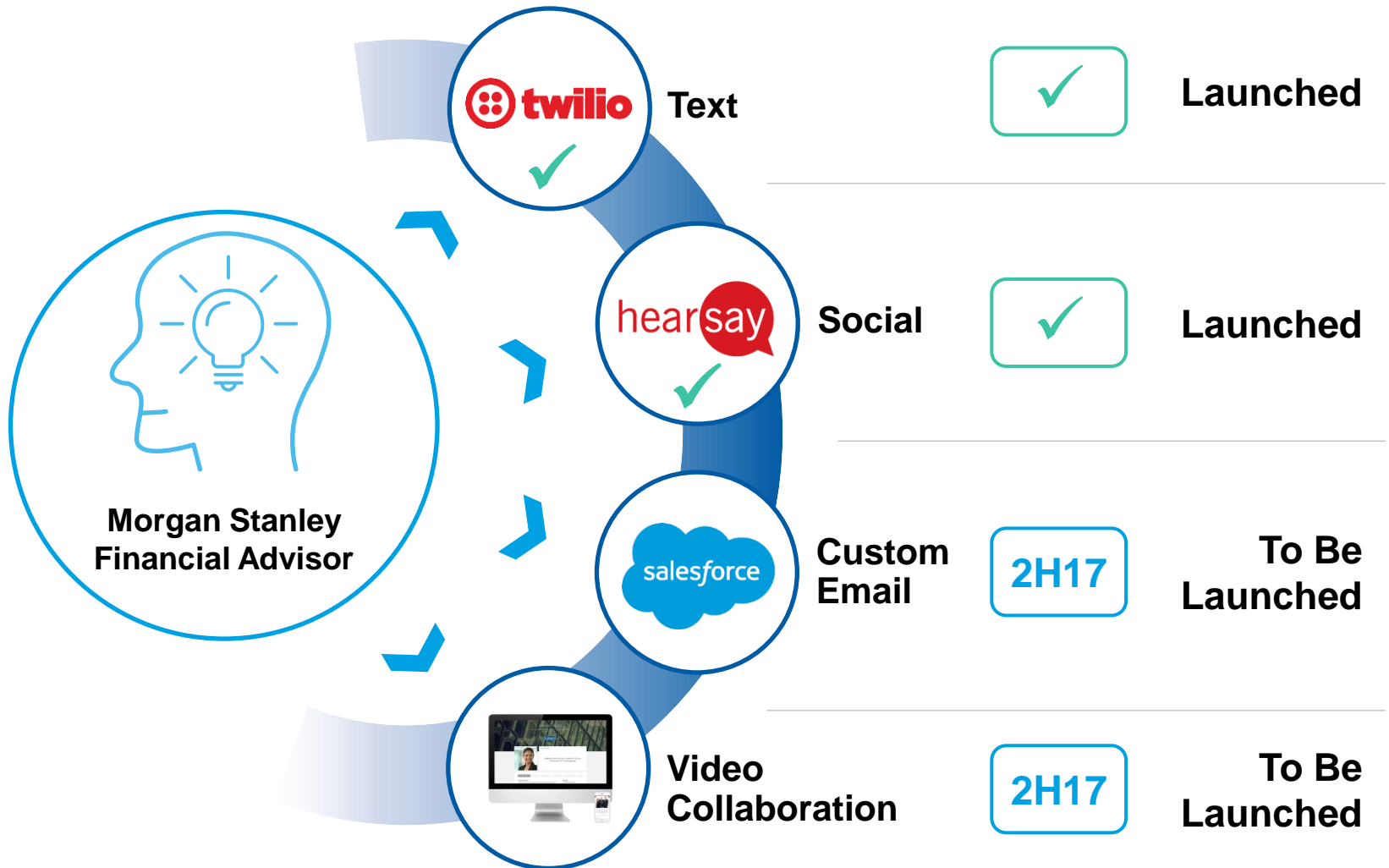
**Margin Call**  
**Maturing Bond**  
**Required Minimum Distribution**

# 1 Predictive Analytics: Investment Recommendation Example

## Example: Research Upgrades Key Sector



# 1 Digitally Scaled Outreach: Multichannel Communication



## 2 Targeting New Asset Growth Opportunities

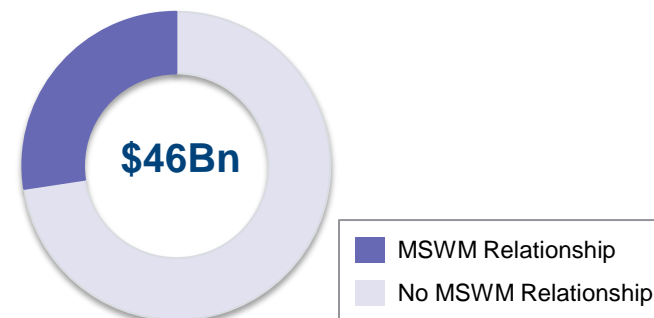
**A** Intergenerational Wealth Transfer

**B** Morgan Stanley Corporate Plans

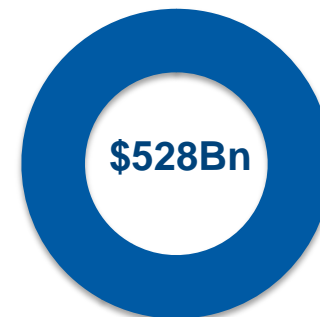
**C** Prospects Who Require Digital Advice Capabilities

Connect Stock Plan Experience with MSWM Platform to Drive Conversions

Vested Shares of MS Stock Plan Participants

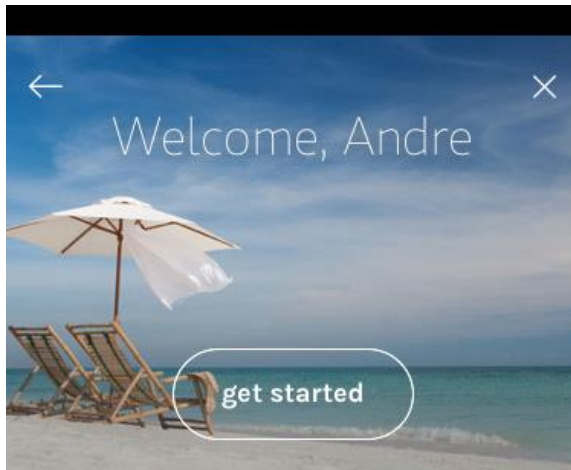


Investable Assets Held Away of Stock Plan Clients with No MSWM Relationship<sup>(1)</sup>



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

## 2 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

## 2 Morgan Stanley Digital Mortgage Platform For Clients

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

### Current Mortgage Process

Product Introduced By FA Referral

Paper Application

Indicative Pricing Available via FA

Document Submission by Mail / Fax / Email

### Digital Mortgage: 1H 2018 Launch

Product Available Digitally & By FA Referral

Digital Application

Dynamic Rate Calculators

Digital Document Submission

### 3 Digitizing Branch System and FA Operations

**Automate & Centralize  
Branch Processes**

**Enhance Client  
Self-Service**

#### Digital Enhancements Underway

E-Authorization  
For Wires



Debit Card &  
Check Ordering



New Account  
Opening



Person-to-Person  
Payments



IRA Beneficiary  
Changes



Mobile  
Equity Trading



Retirement  
Distribution



eDelivery  
Enrollment



Asset Transfers



Address & Phone  
Changes



**+30 Self-Service Enhancements Planned**

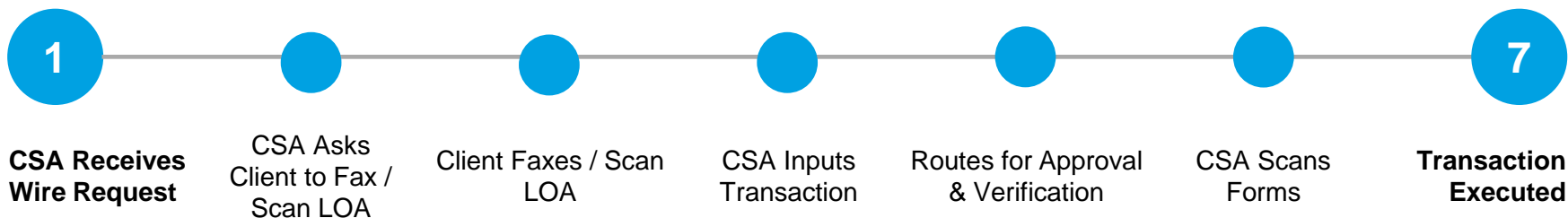
**Maximize Time Spent on Advice versus Client Servicing**



### 3 Digitizing Branch Processes: E-Authorization Example

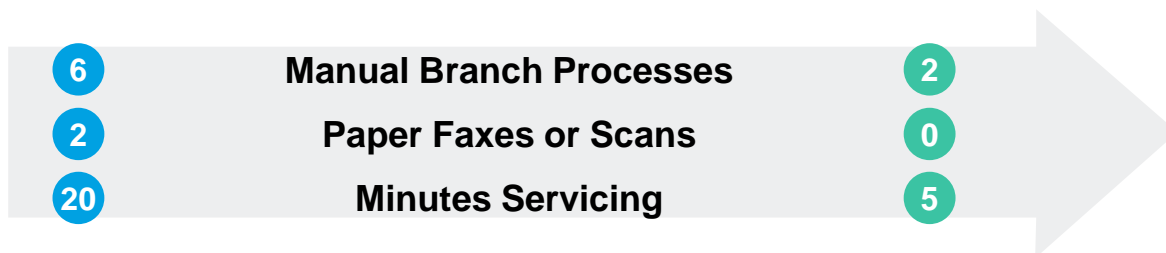
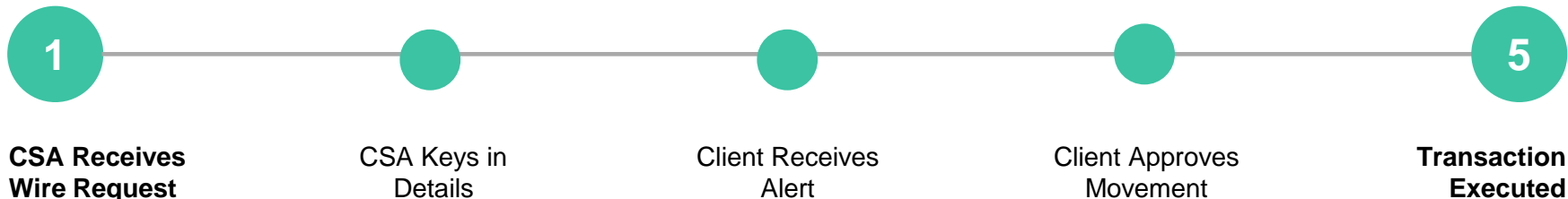
#### Prior to E-Authorization for Wires

Number of Steps:

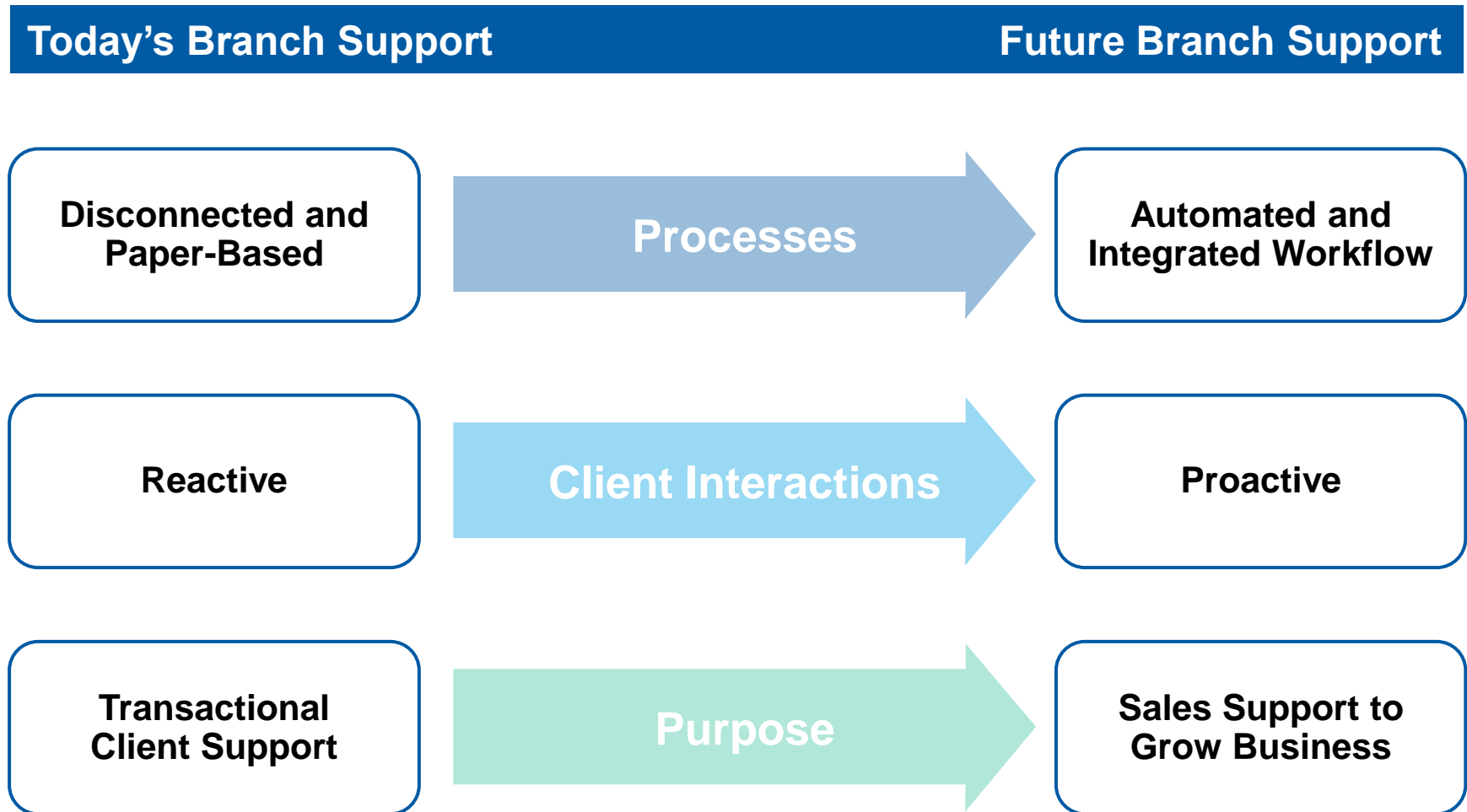


#### Post E-Authorization for Wires

Number of Steps:



### 3 Branches Have Evolved, Digital Promises More Progress



Morgan Stanley

# **Morgan Stanley 2017 U.S. Financials Conference**

**Naureen Hassan, Chief Digital Officer for Wealth Management**

**June 13, 2017**