

Morgan Stanley

# **2021 Morgan Stanley U.S. Financials, Payments & CRE Conference**

**Andy Saperstein, Co-President, Morgan Stanley**

**June 14, 2021**

## 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 objectives 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, assumptions, interpretation 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 Annual Report on Form 10-K, the Company's Quarterly Reports on Form 10-Q and the Company's Current Reports on Form 8-K, as applicable, including any amendments thereto. This presentation is not an offer to buy or sell any security.

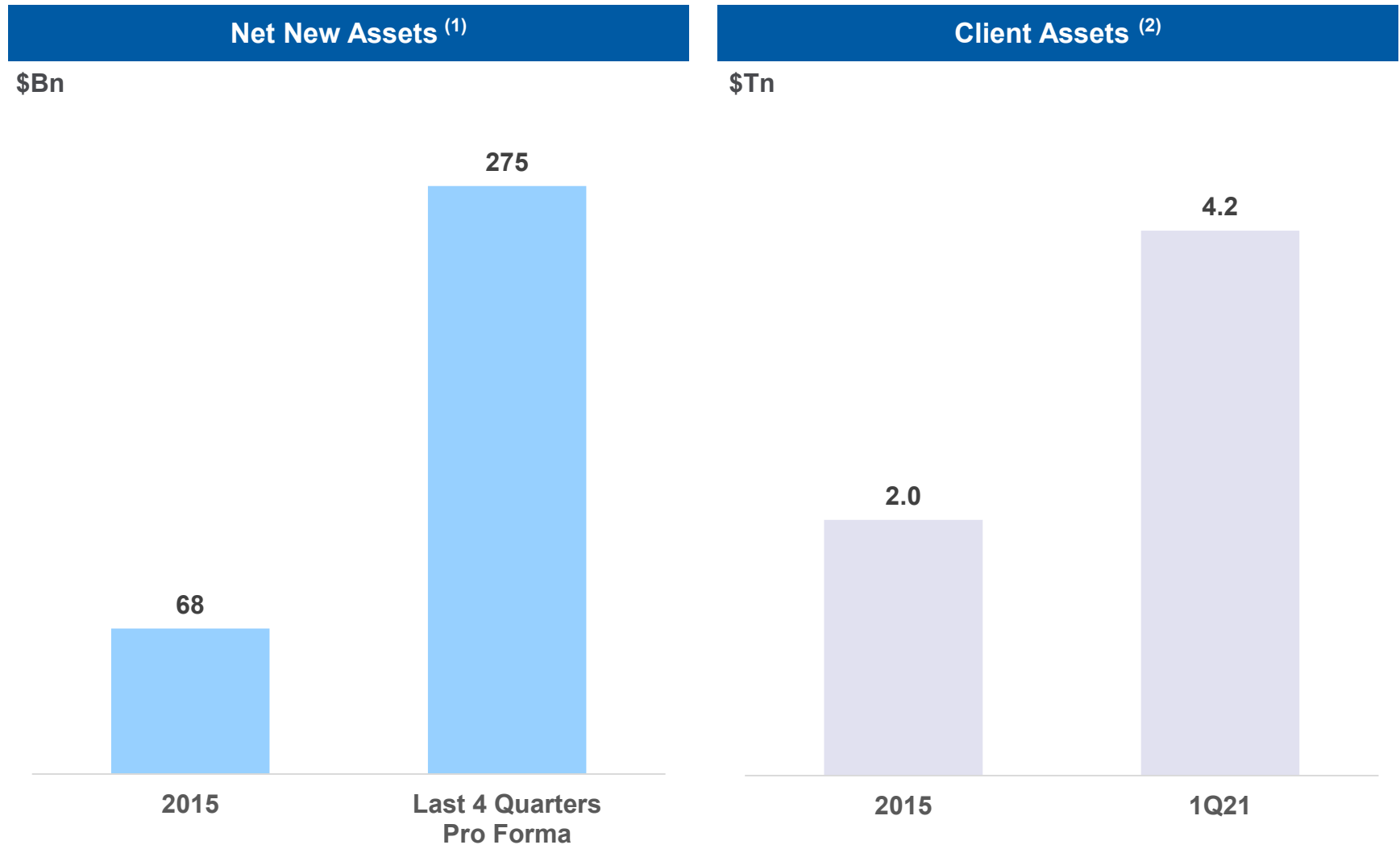
## **Morgan Stanley Wealth Management: A Category of One**

**Growth Has Outpaced Traditional Peers and Matches Fastest Growing Firms**

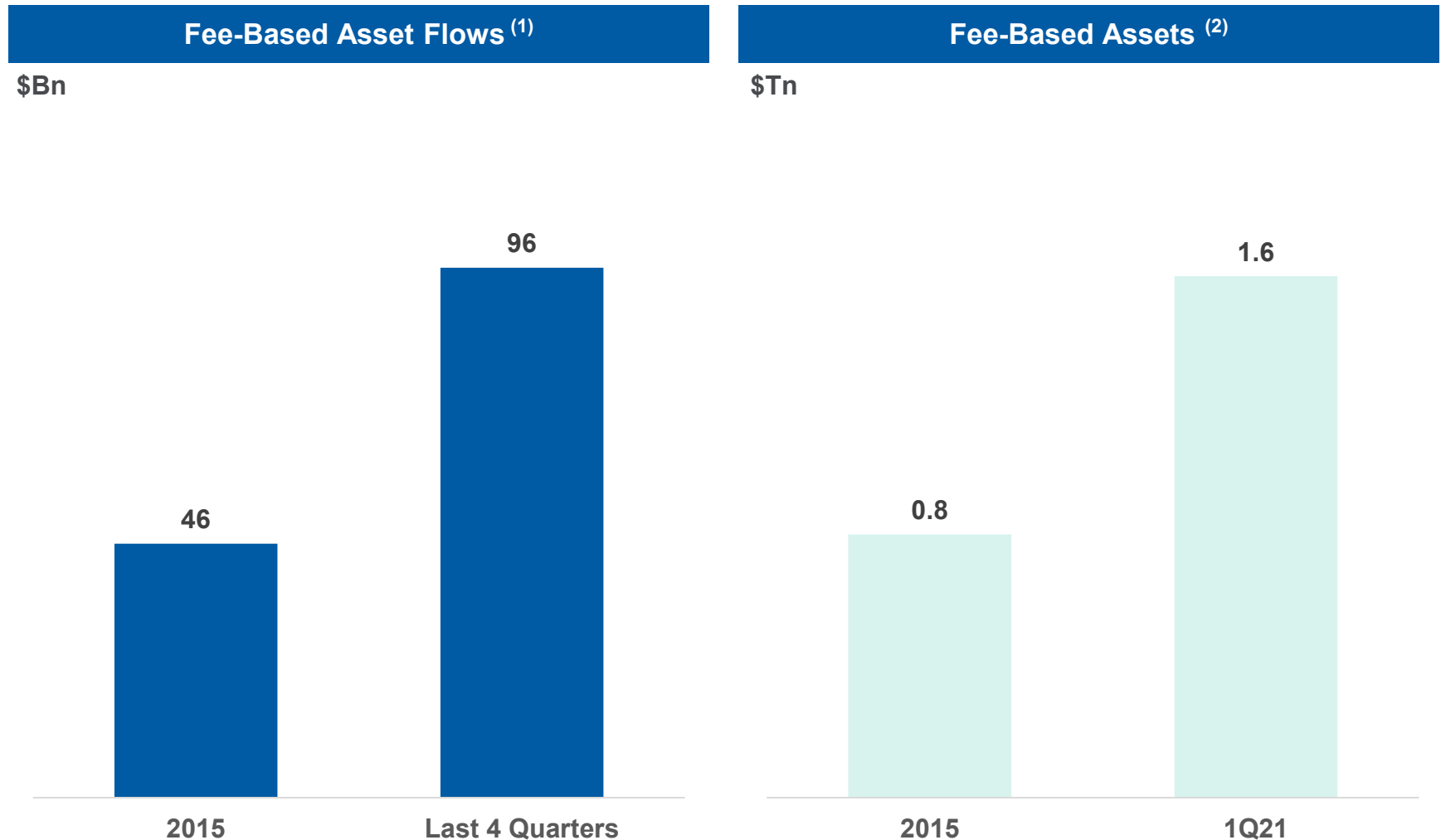
**New Capabilities and Channels Increase the Opportunity for Sustainable Growth**

**Executing to Realize this Opportunity**

## We Have Transformed From a Stable, Steady Wirehouse to a Scaled, Multi-Channel Growth Engine...



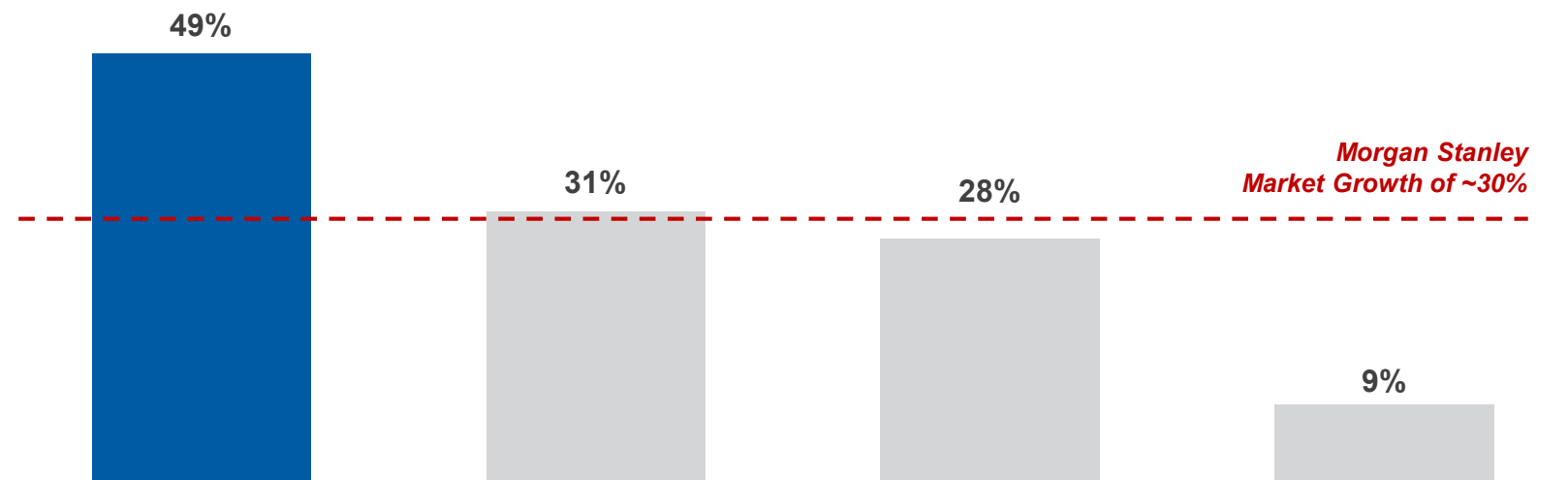
## ...While Significantly Increasing Fee-Based Assets to Drive High Quality Revenue



# We Have Outpaced Traditional Peers in Driving Organic Asset Growth and Increased PBT Wallet Share

## Last 3 Year Asset Growth <sup>(1)</sup>

Growth in Total Client Assets (%)



	MSWM	Peer 1	Peer 2	Peer 3
Asset Growth <sup>(1)</sup>	+\$1.2Tn	+\$0.4Tn	+\$0.7Tn	+\$0.2Tn
Change in PBT Wallet Share <sup>(2)</sup>	+12% pts	+2% pts	-3% pts	-11% pts

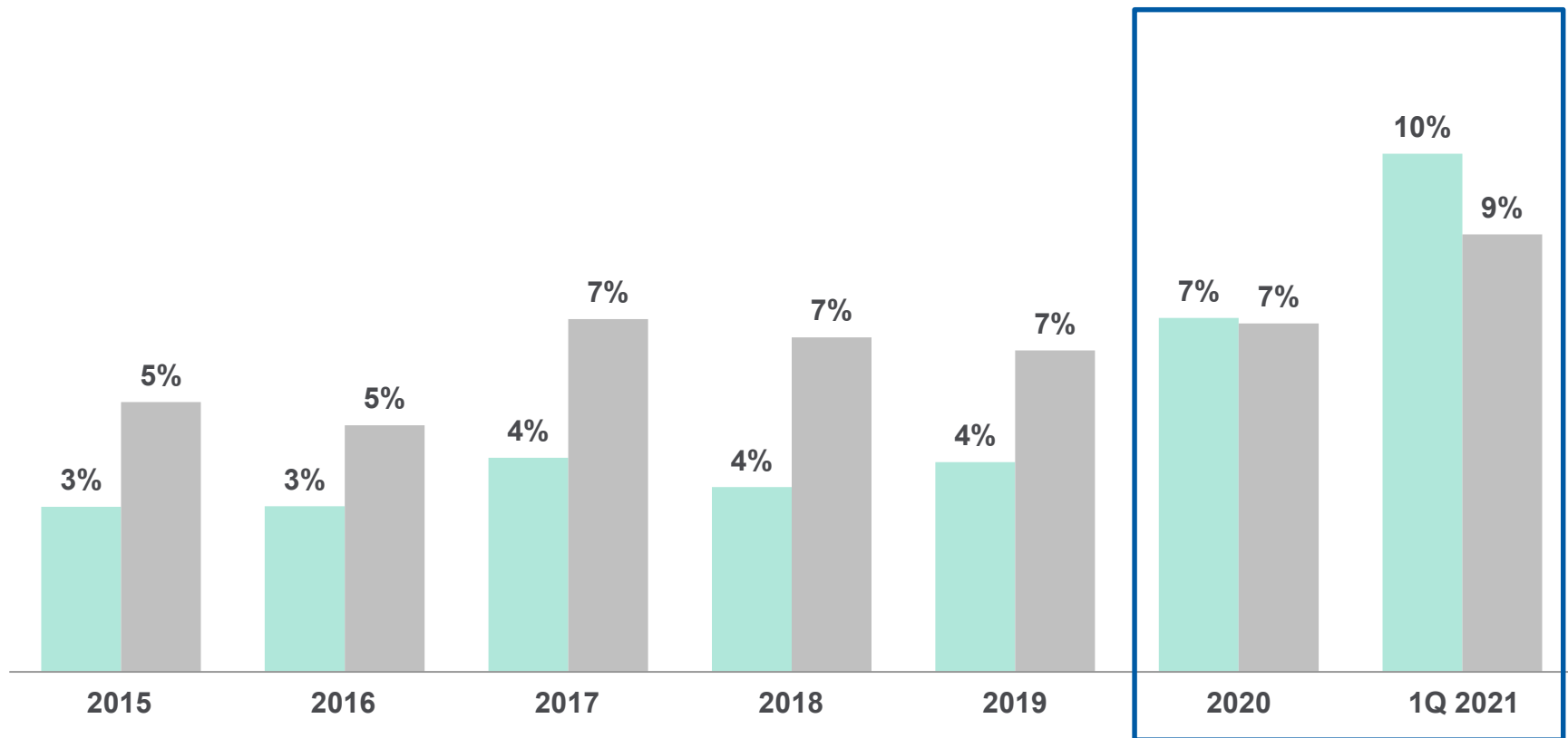
## And Our Growth Profile Now Matches That of the Top Direct Player

### Net New Asset Growth <sup>(1)</sup>

Annualized Net New Assets as % of BOP Assets

MSWM

Top Direct Firm



## We Continue to Drive Significant Growth of Consistent Revenues

100% of Daily Revenues \$80MM+ <sup>(1)</sup>

Daily Revenues

	2014	2016	2018	2020	1Q 2021
>\$80MM	0%	0%	2%	25%	100%
\$70MM - \$80MM	2%	2%	31%	40%	0%
\$60MM - \$70MM	30%	46%	59%	27%	0%
<\$60MM	68%	52%	8%	8%	0%



## We Have Experienced Broad, Rapid Adoption of Technology and Firm Resources...

### Modern Wealth and Digital Platform...

Goals Based Planning

Artificial Intelligence / Next Best Action

Aladdin Risk Management Platform

Intellectual Capital and Firm Specialists

### ...That is Embraced By Advisors

Adopting Modern Platform <sup>(1)</sup>

**98%**

of Teams Adopted  
Modern Wealth Digital Toolkit

Leveraging Technology <sup>(2)</sup>

**>4x**

Growth of Next Best Action  
Ideas Shared with Clients

Partnering with the Firm to Enhance Teams <sup>(3)</sup>

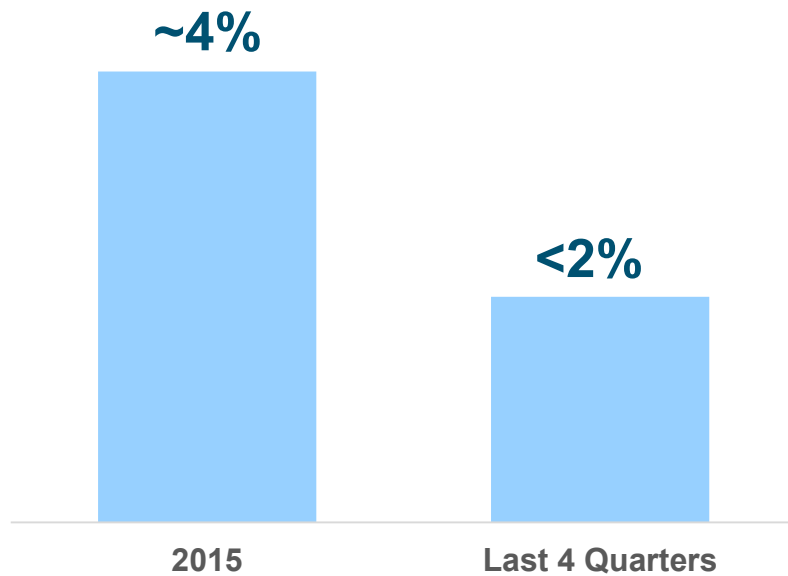
**2.3x**

Increase in Client and Financial Advisor  
Engagement with Global Investment Office

## ...And Have Retained Advisors and Clients

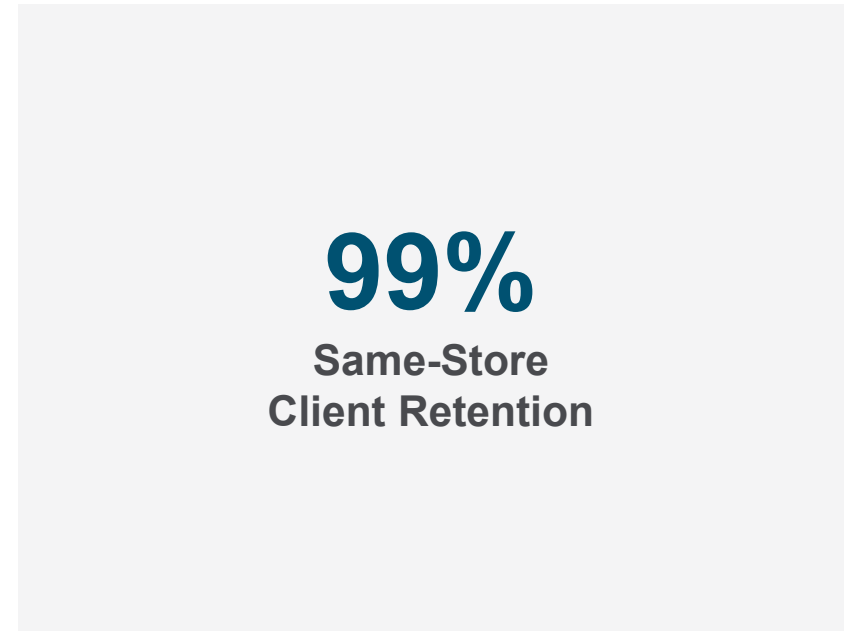
### Lower Advisor Turnover...

Advisor Turnover to Competition (%) <sup>(1)</sup>

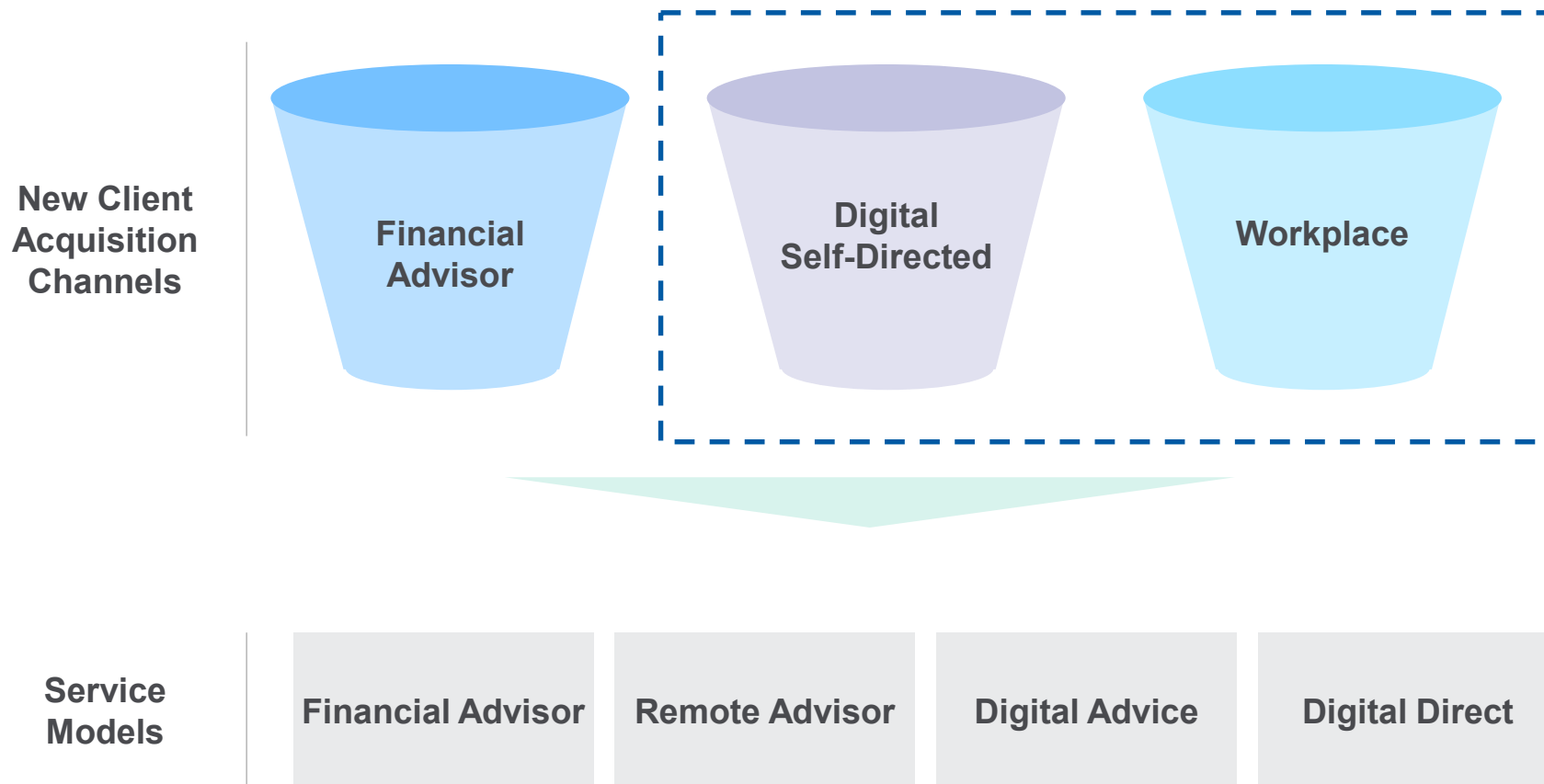


### ...With Strong Client Retention

Client Retention (%) <sup>(2)</sup>



## Looking Ahead, We Have New Capabilities and Channels That Amplify the Opportunity for Sustainable Growth



# E\*TRADE Provides Best-in-Class Digital Capabilities and Expands Growth Opportunity Across All Channels

## Leading Digital Offering

**5.5MM**

Self-Directed Relationships Added  
with E\*TRADE Acquisition <sup>(1)</sup>

**~\$880Bn**

Self-Directed Assets <sup>(2)</sup>

**Top Rated**

Active Trader Platform <sup>(3)</sup>

**Leading**

Equity Admin Platform <sup>(4)</sup>

## Opportunities for Growth

E\*TRADE Companion Account Across All  
Workplace Relationships

Consolidate Self-Directed Assets of Existing  
HNW+ Clients

Extend MS Product Offerings and Lending  
Solutions to E\*TRADE Clients

Support Migration to Advice

Potential for International Expansion

# Workplace Provides Scalable Source of New Wealth Management Relationships

Combination of Premier Brands...

Morgan Stanley



**Shareworks**  
by Morgan Stanley



**EXTRADE**<sup>®</sup>  
Equity Edge Online

...Results in Privileged Access to Employees...

**5MM+**

Stock-Plan Participants <sup>(1)</sup>



**2MM**

Retirement & Financial Wellness Participants <sup>(2)</sup>

**~\$460Bn**

Unvested Assets <sup>(3)</sup>

**~40%**

of S&P 500 Companies Represented <sup>(4)</sup>

...With Significant Opportunity to Deepen Wealth Relationships

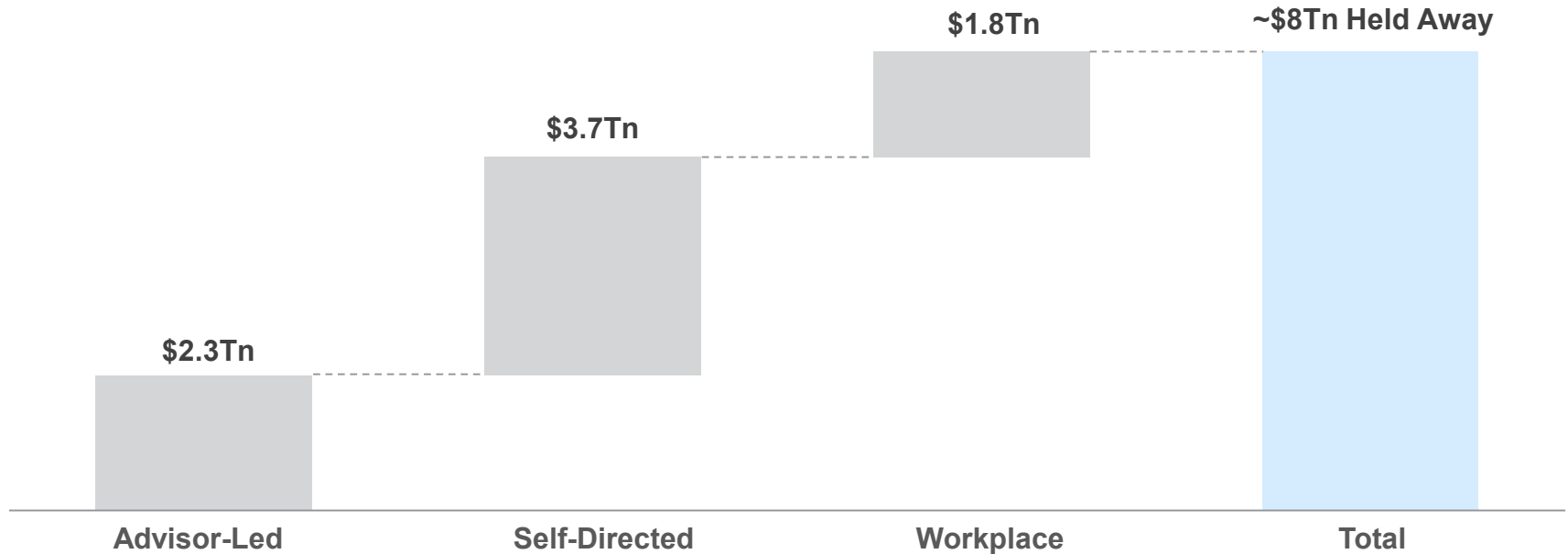
Gain Access to Employees Through Corporate Services

Build Trust and Credibility

Support Migration to Advice

## And We Are Well Positioned to Access \$8Tn in Assets Held Away Through Existing Relationships

### Assets Held Away Across Channels <sup>(1)</sup>



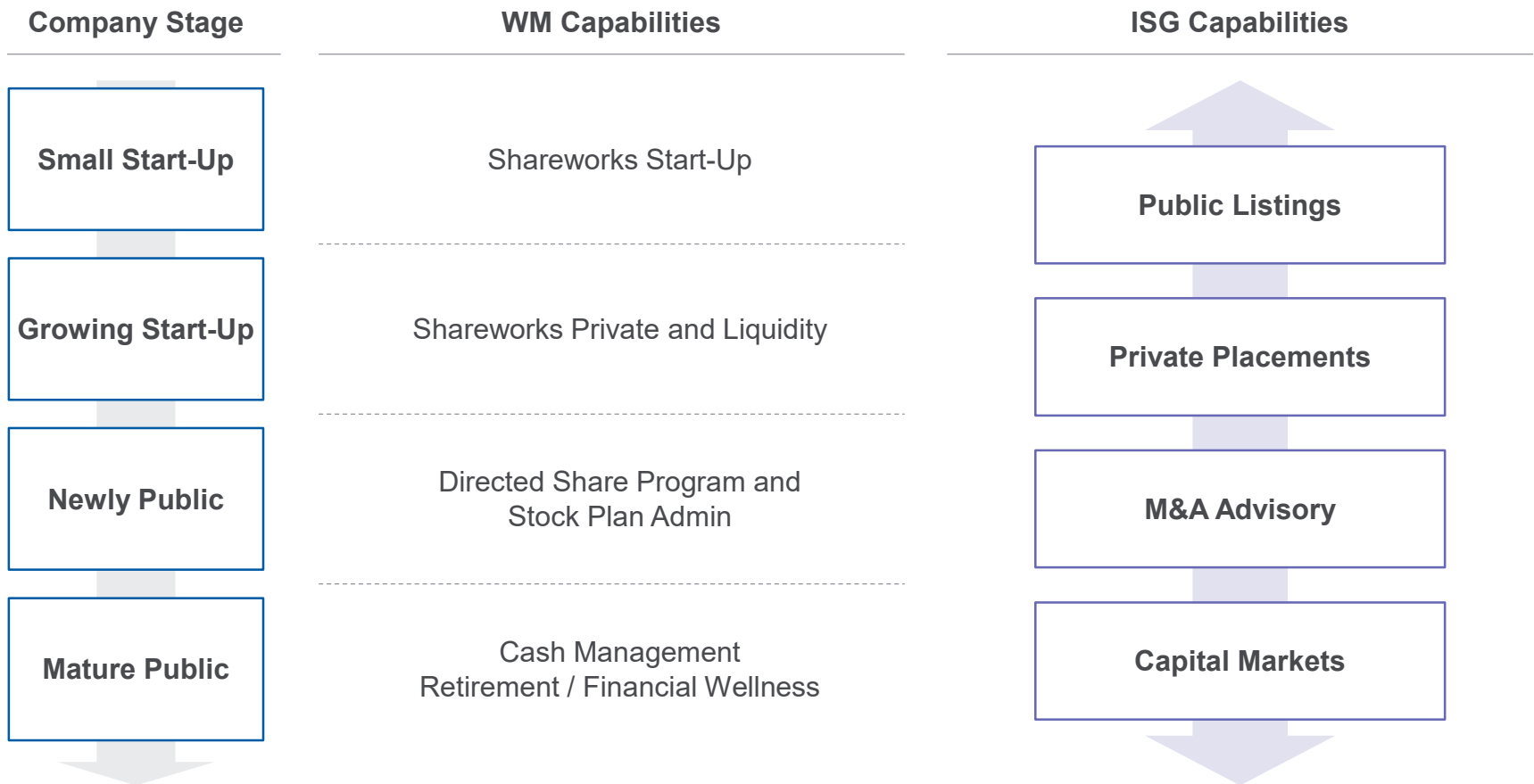
### Opportunity to Engage with 13MM+ Unique Relationships <sup>(2)</sup>

## Execution is Focused on Building Capabilities to Deepen Relationships Across Channels...



# ...And Partnering ISG and WM to Deliver Differentiated Offering to Corporate Clients

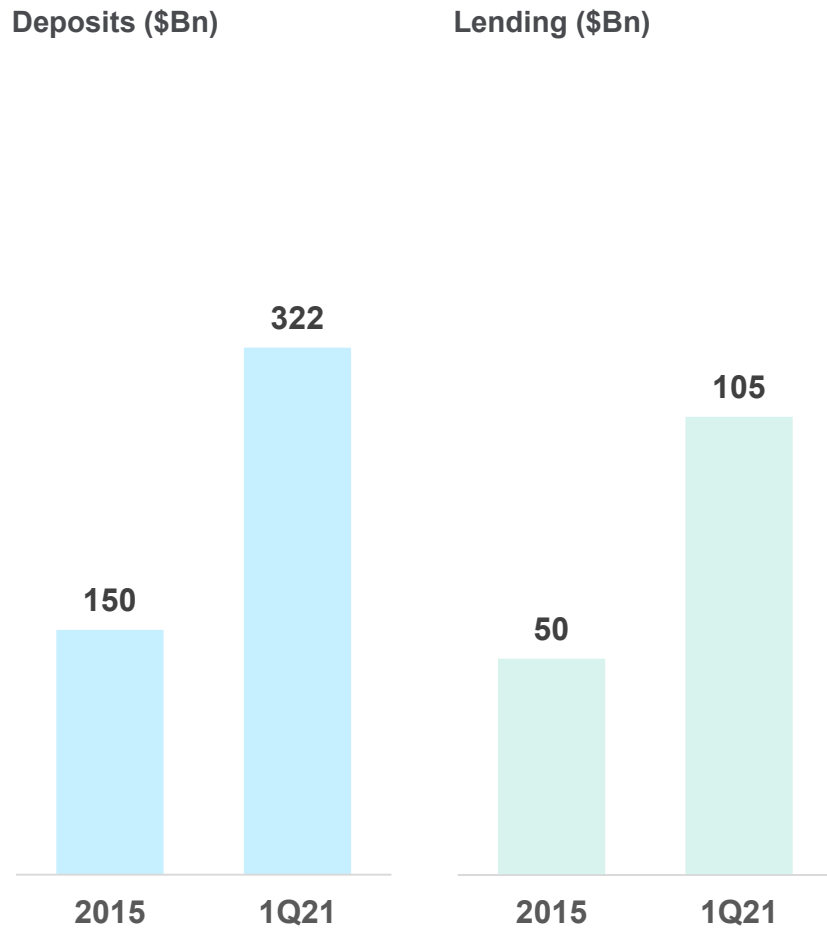
## Institutional Client Journey



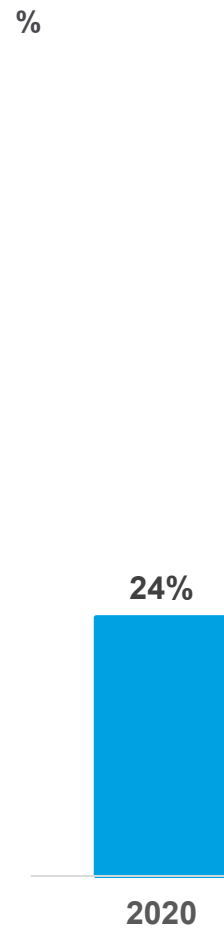


# Don't Forget the Bank: Highly Levered to Interest Rates

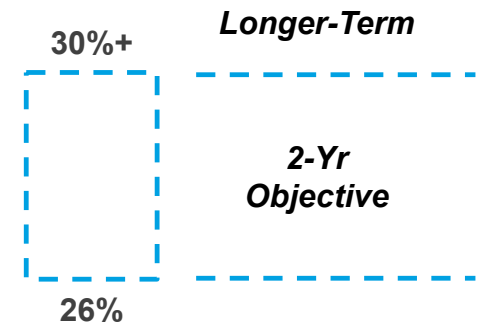
## Wealth Management Deposits and Lending <sup>(1)(2)</sup>



## Wealth Management Margin <sup>(3)</sup>



**+100bps Upward Parallel Shift in Rates Adds ~\$1.6Bn in NII and Accelerates Margin Growth <sup>(4)</sup>**



## End Notes

These notes refer to the financial metrics and/or defined term presented on Slide 4

1. **Net New Assets** represents client inflows (including dividend and interest) less client outflows (excluding activity from business combinations/divestitures and impact of fees and commissions). Last 4 Quarters Pro Forma represents the addition of Net New Assets for Morgan Stanley and E\*TRADE for the quarters 2Q 2020 through 1Q 2021.
2. **Client Assets** represent total client assets for Morgan Stanley Wealth Management (“MSWM”).

These notes refer to the financial metrics and/or defined term presented on Slide 5

1. **Fee-Based Asset Flows** includes net new fee-based assets, net account transfers, dividends, interest, and client fees and exclude institutional cash management related activity. Last 4 Quarters include 2Q 2020 through 1Q 2021.
2. **Fee-Based Assets** represents the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets.

These notes refer to the financial metrics and/or defined term presented on Slide 6

1. **Asset Growth** represents growth in client assets from 1Q 2018 to 1Q 2021 of MSWM and the following traditional peers: Bank of America Global Wealth and Investment Management, UBS Wealth Management Americas and Wells Fargo Wealth and Investment Management per company filings. For MSWM, Asset Growth excludes E\*TRADE customers assets added at the close of the E\*TRADE acquisition as of 3Q 2020.
2. **Change in PBT Wallet Share** represents the change in Pre-Tax Profit Wallet Share from 1Q 2018 to 1Q 2021. Pre-Tax Profit is the income (loss) from continuing operations before taxes. Pre-Tax Profit Wallet Share represents Pre-Tax Profit of MSWM and the following traditional peers: Bank of America Global Wealth and Investment Management, UBS Wealth Management Americas and Wells Fargo Wealth and Investment Management per company filings. Morgan Stanley’s Wallet Share is calculated as the percentage of MSWM’s Pre-Tax Profit to the Wallet. MSWM’s Pre-Tax Profit for 1Q 2021 was adjusted to exclude the impact of integration-related expenses of \$64 million on a pre-tax basis. The adjusted Pre-Tax Profit is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders.

These notes refer to the financial metrics and/or defined term presented on Slide 7

1. **Annualized Net New Assets as % of Beginning Client Assets** represents Morgan Stanley’s Net New Assets divided by beginning client assets for each period. 2020 Net New Assets are Pro Forma and represent the addition of Net New Assets for Morgan Stanley and E\*TRADE for Full Year 2020 are divided by the addition of beginning client assets for Morgan Stanley and E\*TRADE. E\*TRADE’s beginning client assets represents total customer assets, excluding corporate services unvested holdings based on E\*TRADE’s Annual Report on Form 10-K for the year ended December 31, 2019. Top Direct Firm represents Charles Schwab’s annualized organic growth rate as disclosed per company filings. 2020 annualized organic growth rate is calculated pro forma for Ameritrade using company filings.

## End Notes

These notes refer to the financial metrics and/or defined term presented on Slide 8

1. The daily revenue distribution reflects net revenues for the Wealth Management segment attributed as follows: Transactional revenues on the day the revenue was recorded; and Asset Management, Net Interest and Other revenues based on the a daily average, where the reported revenue for the period is divided by the number of business days in the period.

These notes refer to the financial metrics and/or defined term presented on Slide 9

1. **Percentage of Teams Adopted Modern Wealth Digital Toolkit** represents percentage of Morgan Stanley Advisor Teams that has at least one member who uses two or more of the following four tools: Next Best Action, Planning, Risk Analytics and Asset Aggregation; analysis as of 1Q 2021.
2. **Growth of Next Best Action Ideas Shared with Clients** represents the increase from 2019 to 2020.
3. **Increase in Client and Financial Advisor Engagement with Global Investment Office** represents the increase from 2019 to 2020.

These notes refer to the financial metrics and/or defined term presented on Slide 10

1. **Advisor Turnover to Competition** represents total Morgan Stanley Financial Advisor attrition to competitor wealth management firms as a percentage of average Morgan Stanley Financial Advisor headcount at beginning and end of the respective time periods. Last 4 Quarters include 2Q 2020 through 1Q 2021.
2. **Client Retention** is calculated excluding client attrition driven by Morgan Stanley Financial Advisor attrition for those in the >\$1MM client asset segment.

These notes refer to the financial metrics and/or defined term presented on Slide 12

1. **Self-Directed Relationships Added** represents self-directed households of E\*TRADE as of 1Q 2021.
2. **Self-Directed Assets** represents active accounts which are not advisor-led. Active accounts are defined as having \$25 or more in assets.
3. **Active Trader Platform Ranking** per StockBrokers.com as of January 2021.
4. **Equity Admin Platform Ranking** derived from Morgan Stanley internal analysis based on number of stock plan participants informed by latest available data for Bank of America, Carta, Certent, Charles Schwab, Computershare, Fidelity, and UBS.

## End Notes

These notes refer to the financial metrics and/or defined term presented on Slide 13

1. **Stock Plan Participants** represents reported participants in the Workplace channel as of 1Q 2021 with total accounts with vested or unvested assets. Individuals with accounts in multiple plans are counted as participants in each plan.
2. **Retirement and Financial Wellness Participants** represents participants of corporate clients with financial wellness and retirement plans serviced by Morgan Stanley at Work as of 1Q 2021.
3. **Unvested Assets** includes equity compensation solutions for companies, their executives and employees; unvested assets are as of 1Q 2021 represents the market value of public company securities at the end of the period.
4. **S&P 500 Companies Represented** includes companies for which Morgan Stanley provides equity compensation solutions as of June 2021.

These notes refer to the financial metrics and/or defined term presented on Slide 14

1. **Assets Held Away** is estimated using data from IXI as of June 2020 for retail clients and stock plan participants.
2. **Unique Relationships** represents advisor-led clients, self-directed households, stock plan participants and retirement and wellness participants excluding overlap as of 1Q 2021.

These notes refer to the financial metrics and/or defined term presented on Slide 17

1. **Deposits** reflect deposits sourced from Wealth Management clients and other sources of funding on the U.S. Bank Subsidiaries. Deposits include sweep deposit programs, savings and other, and time deposits. Excludes approximately \$8 billion of off-balance sheet deposits as of 1Q 2021.
2. **Lending** represents loans from Wealth Management on U.S. Bank Subsidiaries.
3. **Wealth Management Margin** represents pre-tax margin which is the income (loss) from continuing operations before taxes divided by net revenues. The Pre-Tax Margin 2-Year Objective of 26% to 30% excludes integration-related expenses. The adjusted Pre-Tax Margin is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders.
4. **Revenue and Margin Increase** calculated based on \$1,671MM of incremental Net Interest Income over the next 12 months for our U.S. Bank Subsidiaries based upon an instantaneous upward parallel interest rate shock of 100 bps as disclosed in Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021. The attainment of revenues and margins in the future reflects management's estimates and may be impacted by external factors that cannot be predicted at this time, including macroeconomic and market conditions and future regulations.

Morgan Stanley

# **2021 Morgan Stanley U.S. Financials, Payments & CRE Conference**

**Andy Saperstein, Co-President, Morgan Stanley**

**June 14, 2021**