Driving Growth Through The Cycle

Andy Saperstein
Co-President of Morgan Stanley and Head of Wealth Management
May 31, 2023
Notice

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The End Notes are an integral part of this presentation. See Slides 12 – 13 at the back of this presentation for information related to the financial metrics and defined terms in this presentation.

Morgan Stanley closed its acquisition of E*TRADE on October 2, 2020, impacting prior period comparisons for the Firm and Wealth Management.

Please note this presentation is available at www.morganstanley.com.
MSWM Has Transformed the Business Over Four Phases…

- Built Scale
- Paired Advice With Technology
- Expanded Our Channels
- Deepening Relationships

MorganStanley
SmithBarney

Modern Wealth
Platform

WM Pre-Tax Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$3.3Bn</td>
</tr>
<tr>
<td>2018</td>
<td>$4.5Bn</td>
</tr>
<tr>
<td>2021</td>
<td>$6.2Bn</td>
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</tbody>
</table>

Ongoing Pre-Tax Profit Growth

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…Positioning Ourselves At Scale and As a “Category of One”

<table>
<thead>
<tr>
<th>SCALE</th>
<th>WM Client Assets</th>
<th>Fee-Based Assets</th>
<th>Client Relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$4.6Tn Total WM Client Assets</td>
<td>$1.8Tn Total Fee-Based Assets</td>
<td>18MM Client Relationships</td>
</tr>
<tr>
<td>MOMENTUM</td>
<td>$311Bn Net New Assets</td>
<td>$163Bn Fee-Based Flows</td>
<td>3MM Added Relationships</td>
</tr>
<tr>
<td>RANK</td>
<td>#1 Net New Asset Growth</td>
<td>#1 Fee-Based Flows</td>
<td>#1 Client Relationship Growth in Workplace</td>
</tr>
</tbody>
</table>

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# We Have Reinvented Our Business Model

<table>
<thead>
<tr>
<th>Increased Scale</th>
<th>From...</th>
<th>...To</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5MM Core Client Relationships (1)</td>
<td>18MM Client Relationships</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Added Channels</th>
<th>Advisor-Led Only</th>
<th>Advisor-Led</th>
<th>Self-Directed</th>
<th>Workplace</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Expanded Service Models</th>
<th>Financial Advisor</th>
<th>Virtual Advisor</th>
<th>Digital Direct</th>
<th>Family Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Wealth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Invested in New Capabilities</th>
<th>Private Markets Offering</th>
<th>Integrated Risk Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capabilities In-line With Peers</td>
<td>Leading Alts Capabilities</td>
<td>Workplace Offering</td>
</tr>
</tbody>
</table>

(1) \[\text{Core Client Relationships} = \text{Advisor-Led Only} + \text{Private Wealth} + \text{Additional Channels and Service Models}\]

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Delivering $1Tn of Net New Assets Every Three Years

Rolling Three-Year Net New Assets (1)

$1Tn Target
5-7% of Beginning Assets

$247Bn  $278Bn  $419Bn  $768Bn  $981Bn  >$1Tn


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Focused on Driving Continued Growth

Longer-Term Goals

- **2x+**
  - Growth in Client Relationships

- **$10Tn**
  - WM and IM Client Assets, Powered by $1Tn of NNA Every Three Years

- **~$12Bn**
  - WM Pre-Tax Profit, With a 30%+ Margin

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Client Acquisition Funnel Drives Deeper Advice Relationships

- Gain access through workplace and self-directed relationships
- Build trust and credibility
- Support migration to advice

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Path to $10Tn in Client Assets

Client Assets Walk (1)

WM Client Assets Today (2) | Net New Asset Growth | WM Market Growth | IM Client Assets | Client Assets Longer-Term Goal

$4.6Tn | | | | $10Tn

The End Notes are an integral part of this presentation. See Slides 12-13 at the back of this presentation for information related to the financial metrics and defined terms in this presentation.
Path to Doubling WM Pre-Tax Profit

Full-Year WM Pre-Tax Profit Walk

Today

Key Drivers of Growth

- NNA Benefit
- Cash Deployment
- Lending Growth
- Market Growth
- Cost Savings
- Investments

Longer-Term Goal

$12Bn+

The End Notes are an integral part of this presentation. See Slides 12-13 at the back of this presentation for information related to the financial metrics and defined terms in this presentation.
End Notes

These notes refer to metrics and/or terms presented on Slide 4:

1. **WM Client Assets** represent those assets for which Wealth Management (‘WM’) is providing services including financial advisor-led brokerage, custody, administrative and investment advisory services; self-directed brokerage services; financial and wealth planning services; workplace services, including stock plan administration, and retirement plan services. WM Client Assets are shown as of 1Q 2023.

   **Fee-Based Assets** represent the amount of assets in client accounts where the basis of payment for services is a fee calculated on those assets. Fee-Based Assets are shown as of 1Q 2023.

2. **Net New Assets (‘NNA’)** represent client inflows, including dividends and interest, and asset acquisitions, less client outflows, and exclude activity from business combinations/divestitures and the impact of fees and commissions.

   **Client Relationships** represent growth in Client Relationships.

3. Rankings are based on internal analysis for Morgan Stanley Wealth Management (‘MSWM’) and peers.

End Notes

**Net New Asset Growth** represents full-year NNA divided by beginning client assets in 2022, for MSWM and the following peer set: Bank of America Global Wealth & Investment Management (‘BAC GWIM’), Charles Schwab, UBS Global Wealth Management Americas (‘UBS GWMA’) and Wells Fargo Wealth and Investment Management (‘WFC WIM’). For Charles Schwab, NNA represents reported net new client assets. For the rest of the peers, NNA is derived from internal analysis based on company filings as of 4Q 2022.

**Fee-Based Flows** are sourced from company disclosures for full-year 2022 for MSWM, BAC GWIM, UBS GWMA and WFC WIM. For BAC GWIM and UBS GWMA, Fee-Based Flows represent AUM flows and Net New Fee-Generating Assets, respectively. For WFC WIM, Fee-Based Flows represent the difference between the inflows and outflows of total WFC WIM advisory assets.

**Client Relationship Growth in Workplace** represents the compound annual growth rate between 2020 and 2022 in Workplace Participants, and is sourced from company disclosures for MSWM, Charles Schwab and Fidelity.
End Notes

These notes refer to metrics and/or terms presented on Slide 5:
1. **Core Client Relationships** represent Advisor-Led Households as of 4Q 2019.

These notes refer to metrics and/or terms presented on Slide 6:
1. **Rolling Three-Year Net New Assets** represents NNA aggregated across the stated time periods. 2020 NNA is Pro Forma for E*TRADE, representing the addition of NNA for Morgan Stanley and E*TRADE for the full year. The comparisons of current and prior periods are impacted by asset acquisitions in 3Q 2021 and 1Q 2022.
2. **Rolling Last 3 Years** represents the period from 3Q 2020 to May 18, 2023.

These notes refer to metrics and/or terms presented on Slide 7:
1. The attainment of these objectives assumes a normal market environment and may be impacted by external factors that cannot be predicted at this time, including geopolitical, macroeconomic and market conditions and future legislation and regulations and any changes thereto. Please also refer to the Notice on Slide 2 of this presentation.
2. **IM Client Assets** represent Investment Management’s assets under management (‘AUM’).

These notes refer to metrics and/or terms presented on Slide 9:
1. Assumptions are illustrative, and we believe are a useful framework for us, investors, analysts and other stakeholders to assess our performance. The attainment of these assumptions assumes a normal market environment and may be impacted by external factors that cannot be predicted at this time, including geopolitical, macroeconomic and market conditions and future legislation and regulations and any changes thereto. Please also refer to the Notice on Slide 2 of this presentation.

**Client Assets** represent WM Client Assets and IM Client Assets.
2. **Today** refers to 1Q 2023.

These notes refer to metrics and/or terms presented on Slide 10:
1. Assumptions are illustrative, and we believe are a useful framework for us, investors, analysts and other stakeholders to assess our performance. The attainment of these assumptions assumes a normal market environment and may be impacted by external factors that cannot be predicted at this time, including geopolitical, macroeconomic and market conditions and future legislation and regulations and any changes thereto. Please also refer to the Notice on Slide 2 of this presentation.
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