February 23, 2015

QUIC RESEARCH REPORT

Financial Institutions Group

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Morgan Stanley Stock Pitch

Hidden Value in Wealth Management

Introduction

Morgan Stanley (MS) is an international bank-holding company providing diversified financial services to institutional clients worldwide. Given the company's shifting business mix, it is well-positioned to capitalize on tougher market conditions and the changing regulatory landscape.

Investment Thesis

Argument I: Improperly Valued as a Volatile Investment Bank and Trading House

Argument II: Shrinking of Heavily-Regulated FICC Business

Argument III: Improved Funding Costs as Old Debts Refinanced

Valuation

When compared to other investment banks, Morgan Stanley trades at a discount on a Price-to-Tangible Book Value, Price-to-Book Value and Price-to-Earnings basis. In addition, Morgan Stanley is well-capitalized on a Basel III CET1 basis. When compared to other investment management firms & fund operators, MS trades at a substantial discount on a Price-to-Earnings basis. Using a Sum-of-the-Parts analysis, we arrived at a price target of $41, implying a total return of 13.6%.

QUIC Research Reports focus on emerging investment themes that affect current portfolio companies and companies under coverage.

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Company Overview

Morgan Stanley (MS) is an international bank-holding company providing diversified financial services to institutional clients worldwide. Following the Glass-Steagall Act in 1935, MS was founded in Manhattan, New York City by J.P. Morgan employees Henry Morgan and Harold Stanley. Since inception, Morgan Stanley has grown to become a dominant player in the financial world. The company conducts business primarily through three main segments: Institutional Securities, Wealth Management and Investment Management.

Institutional Securities

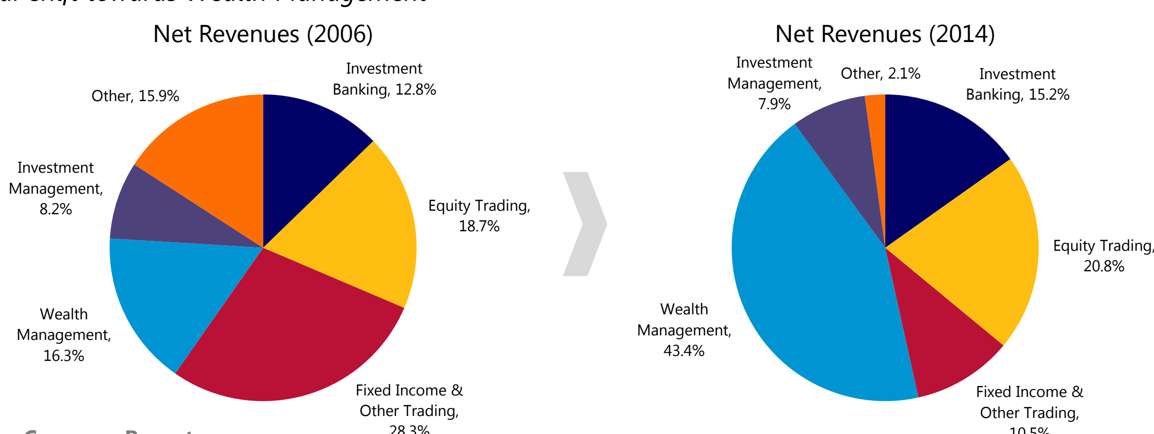
Institutional Securities is a segment which Morgan Stanley is commonly recognized for. This segment is primarily made up of the Investment Banking and Sales & Trading divisions. MS's Investment Banking division has emerged as one of the world's leading banks in deal traffic and underwriting volume. Morgan Stanley has captured a tremendous amount of the world's most notable IPOs including serving as the lead underwriter for the Facebook IPO, and serving as a joint bookrunner for Alibaba's record-setting IPO last September. MS's Investment Banking division also advised WhatsApp on its blockbuster acquisition by Facebook as well as Time Warner Cable on its acquisition by Comcast. Referring to the Investment Banking league tables, in 2014 Morgan Stanley was ranked second in global announced M&As and first in global IPOs. MS's dominant Investment Banking division helps to position the firm to drive earnings growth by attracting major deals in the future.

Morgan Stanley's Sales & Trading division is also very strong, which has historically brought in more revenue that its Investment Banking division year-after-year. Equity trading makes up significantly more revenue than the heavily-regulated Fixed Income, Currency and Commodities (FICC) trading, and as such MS is well-positioned for future regulatory changes. Both the Investment Banking and Sales & Trading segments have faced little top-line growth in recent years, however cost reduction has driven significant bottom-line expansion. Since the financial crisis, the segments have seen roughly 5% in annualized revenue growth however earnings soared over 10%.

EXHIBIT 1

Net Revenues by Segment

A clear shift towards Wealth Management



Source: Company Reports

Company Overview

Wealth Management

Historically, Morgan Stanley has not been well-recognized for its Wealth Management division. However, in recent years it has quietly developed one of the most successful Wealth Management divisions worldwide. MS's Wealth Management segments is both its largest and most profitable segment. Exhibit 1 highlights the gradual shift in Morgan Stanley's revenue mix. In January of 2009 Morgan Stanley acquired a 49% stake in Citigroup's Smith Barney division and by 2013 Citigroup announced the sale of all remaining shares to Morgan Stanley ending their role in the joint venture. The Wealth Management segment acts as the backbone of MS's earnings as its stable revenue streams help offset the volatility from its institutional securities division. Since the financial crisis, MS's Wealth Management division has seen annualized revenue growth of roughly 10%, while earnings have grown more than 50%.

Investment Management

Investment management is the smallest of Morgan Stanley's major segments and was established in 1975. The division primarily invests in public equity, fixed income and alternative markets in all regions across the globe. The segment has grown significantly in past decades. The Wealth Management and investment management segments together hold over $1 trillion in assets under management. Since the financial crisis, MS's investment management division has experienced annualized top-line growth of 14%, however earnings have been relatively volatile.

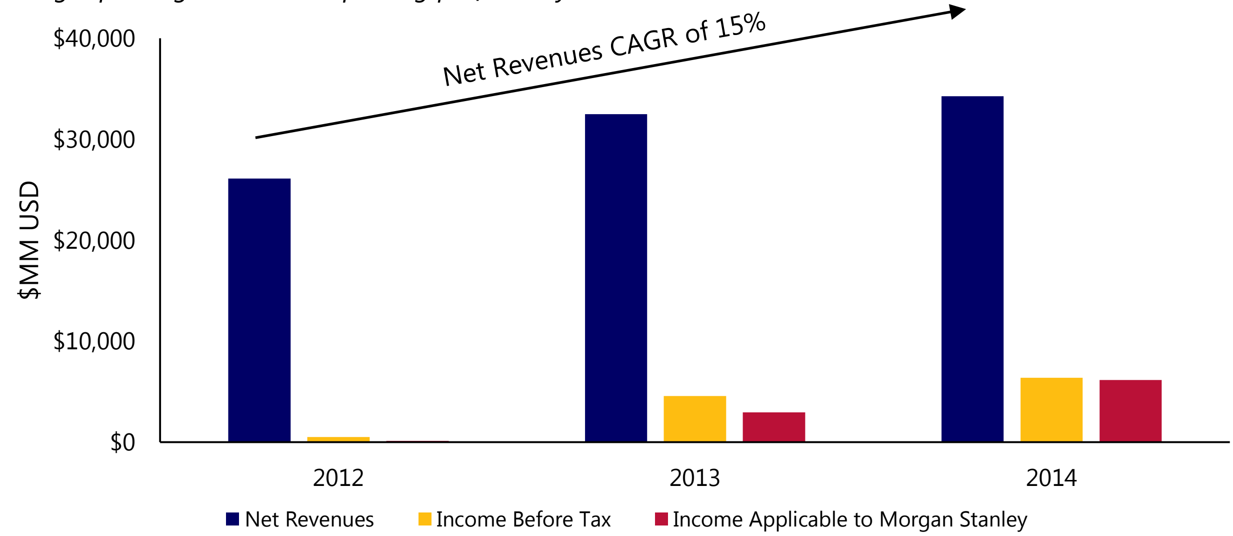
Summary

As a whole, all segments of Morgan Stanley have grown substantially in recent years. Since an off year in 2012, MS has been rapidly increasing its profitability through top-line growth and cost-cutting measures. This is highlighted in Exhibit 2.

EXHIBIT 2

Net Revenues and Income Growth

Strong top-line growth and improving profitability



Source: Company Reports

Industry Overview

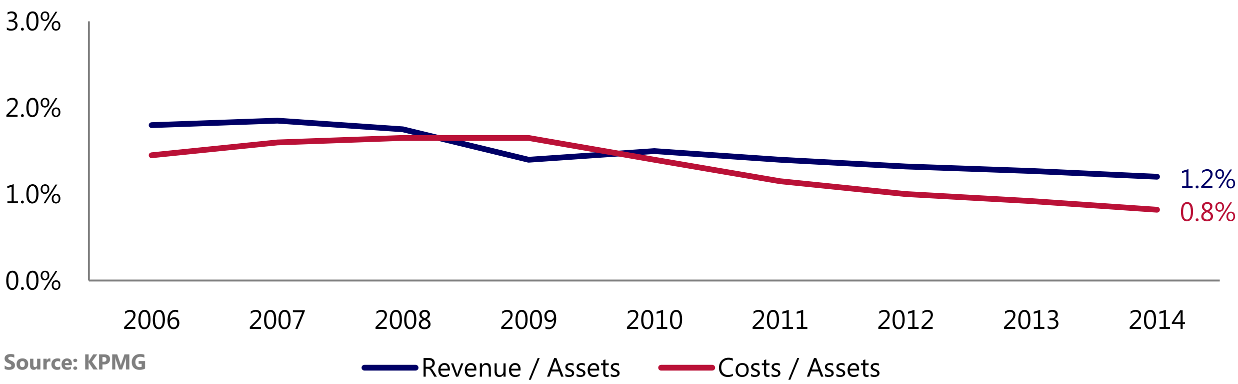
The State of the U.S. Banking Industry

The years since the financial crisis have been a whirlwind of activity, with banks focusing on meeting new regulatory measures, eliminating non-core holdings and cutting costs. As seen in Exhibit 3, over the past few years banks have managed to maintain profitability, while earnings have become less volatile. However, the environment that the banks are facing is a stark contrast to that prior to the financial crisis.

EXHIBIT 3

Revenue and Cost Trends

An emphasis on cost-cutting



Source: KPMG

No longer can profit be consistently grown solely by cutting cost but instead banks must develop new techniques to increase revenue growth. Some of the non-traditional areas that we see banks looking to develop in order to grow revenue in 2015 include: Customer connection, IT and data analytics, cloud technology, M&A opportunities and brand reputation. Leveraging these elements, banks will be able to better perform and to drive top-line growth in coming years.

In addition, a major macro headwind playing into the U.S. banking environment is an anticipated rise in interest rates. Many believe that the Federal Reserve may begin to increase interest rates in 2015 and as a result banks have been undergoing a number of measures to capitalize on this new environment. Debt underwriting volumes have been strong as companies choose to capitalize upon the low cost of borrowing, while high equity market multiples spur the desire for companies to issue equity. M&A deal volume has also seen steady growth as companies employ strong corporate earnings to expand their businesses.

A final factor that has heavily influenced the banking sector since the financial crisis is tightening regulatory requirements. Capital requirements play a major role in a bank's profitability, and stricter capital requirements are driven by regulators' desire to mitigate the downside associated with an economic cooldown. Minor revisions to Dodd-Frank legislation have been made including a grace period for compliance with the use of legacy covered funds, however no extension has been granted for proprietary trading. As of July 21, 2015, banks are no longer able to engage in proprietary trading. Prior to the financial crisis, proprietary trading made up the bulk of many banks' earnings. As changes in the regulatory environment pan out, companies that are best able to adapt will see significant growth.

Investment Thesis

Argument I: Improperly Valued as a Volatile Investment Bank and Trading House

Morgan Stanley, like many of its peers, has evolved into a largely diversified, banking conglomerate with several unique business segments. With each new extension and acquisition, the company seeks to rationalize its decision through either synergies or some other strategic imperative, and has been successful in doing so.

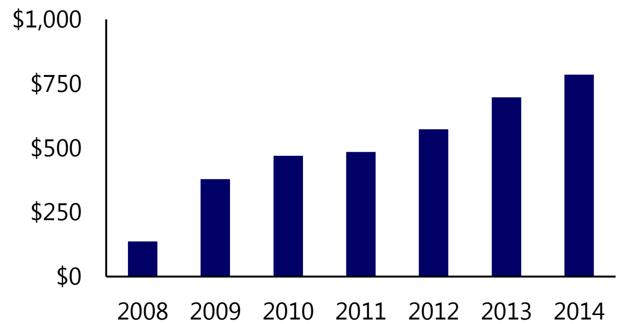
From an investor's perspective, Morgan Stanley, like other diversified conglomerates, poses a unique challenge – how does one weight the different business segments from a valuation perspective? In theory, one would look at each segment's contribution to the company's overall earnings and factor that in when determining the company's valuation. However, in reality, there is a degree of inefficiency in the market and these such companies end up trading above or below their true value, lifted up or depressed down by the segment which dominates investors' perceptions.

We believe that this is the case with Morgan Stanley, and that the company is being disproportionally valued based off of its more volatile Investment Banking and Trading segments. In 2006, Investment Banking, Equity Trading and Fixed Income, Currencies and Commodities (FICC) Trading, which together represent the more volatile portion of the business, accounted for 59.7% of Morgan Stanley's revenue, and Wealth Management and Investment Management accounted for a combined 24.4%. In 2014, that mix shifted dramatically. The same three volatile segments now account for 46.5% of the company's revenue, and Wealth Management and Investment Management now account for 51.3%. Morgan Stanley is now second behind Bank of America in Wealth Management assets. Morgan Stanley has client assets of more than $1.9 trillion, 37% of which are in fee-based accounts which result in steady revenue streams (see Exhibit 4).

EXHIBIT 4

Wealth Management Fee-Based Client Assets

Steady growth in Assets Under Management



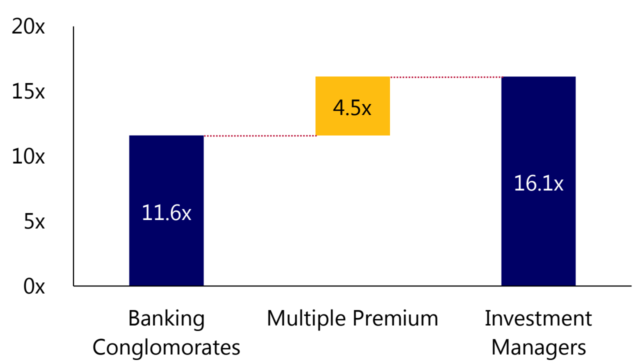
Source: Company Reports

The implications of this are substantial, given the significant valuation multiple gap between banking conglomerates and pure-play investment managers (See Exhibit 5). Our Sum-of-the-Parts analysis later in this report quantifies the extent of this undervaluation.

EXHIBIT 5

Multiple Gap

Investment Managers trade at a 39% premium



Source: Capital IQ

Investment Thesis

Argument II: Shrinking of Heavily-Regulated FICC Business

A rise in market volatility and slump in M&A activity in the early years of the 21st century marked the beginning of a boom period for banks' Fixed Income, Currencies and Commodities (FICC) Trading desks. FICC desks rose to prominence in the years following, as their reputation for large-scale revenue generation grew. However, the recent combination of low volatility and increased regulation has put downward pressure on earnings and forced many banks out of the business.

In 2014, Banks recorded their lowest revenues from FICC since 2005, sparking further debate over the future of the business. The Fed's monetary policies have reduced market volatility, which is a primary driver of trading and profits. Low market volatility reduces the need for investors to "hedge" their portfolios "against sudden and unexpected changes in interest rates, currencies and commodities, and thereby cuts into the amount of money banks can make from arranging trades." (Financial Times). Additionally, higher capital requirements and stricter regulation have further dampened prospects for FICC. Basel III, the latest overarching regulatory regime currently being phased in, sets out specific capital and liquidity requirements, among others, which pose significant headwinds for the business. Additionally, the newly-implemented Volcker rule effectively bans in-house, proprietary trading by banks which was integral to many FICC desks.

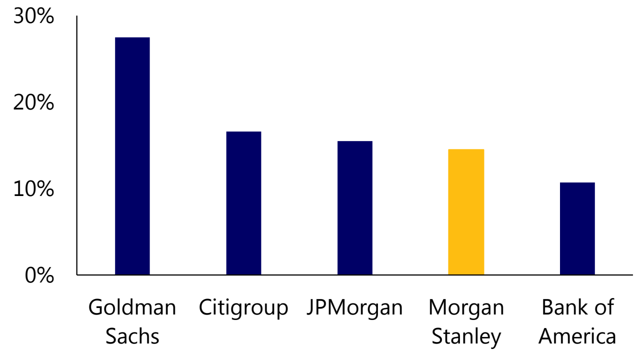
Morgan Stanley has significantly reduced its exposure to the FICC business. In 2006, it accounted for 28.3% of the company's revenue. In 2014, that figure dropped to only 10.5%.

We believe this is a very attractive strategic move that will continue to prove valuable in the coming months as the FICC business continues to face serious challenges. Further, we believe that as a result of this shift in segment mix, Morgan Stanley will be able to further improve its balance sheet. Equity now accounts for roughly 79% of the company's total capital, up from 56% in 2007.

EXHIBIT 6

FICC as a % of Total Revenue (4-year average)

Morgan Stanley has the second lowest exposure



Source: Trefis

Argument III: Improved Funding Costs as Old Debts Refinanced

As seen in Exhibit 8, Morgan Stanley has seen the most significant improvement in credit quality of the major U.S. Banks. We believe this trend has been underappreciated by the equity markets and should begin to yield higher earnings for the bank as higher cost financing rolls over in the coming years.

During the 2014 Q4 conference call, management noted that unsecured funding costs were expected to fall by 25% from 2013 peak levels. Five-year new issue spreads to U.S. treasuries have fallen over 200 basis points (bps) compared to 2012 levels. Based on 2014's total issuance of approx. $40 billion in unsecured notes this would amount to less than $800 million in annual, pre-tax savings compared to 2012 (assuming 5-year notes).

Investment Thesis

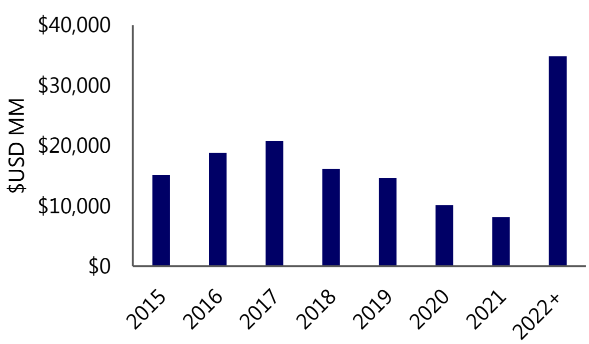
While a large part of this reduction can be explained by macro factors that have benefited the entire sector, we believe the sharp reduction in FICC risk and shifting business mix has created a safer Morgan Stanley which will continue to see tighter spreads compared to peers like Goldman Sachs.

Morgan Stanley's unsecured funding book has a duration of approximately 6 years so it will take time for the benefits of this change to fully pass through. We see tremendous upside if they can continue to roll old debts at new tighter levels thanks to their shifted business model. With spreads down over 100 bps from the 5-year average, they should continue to see continued benefit as funding is rolled.

EXHIBIT 7

Morgan Stanley Debt Maturity Schedule

Benefits likely as debt rolled

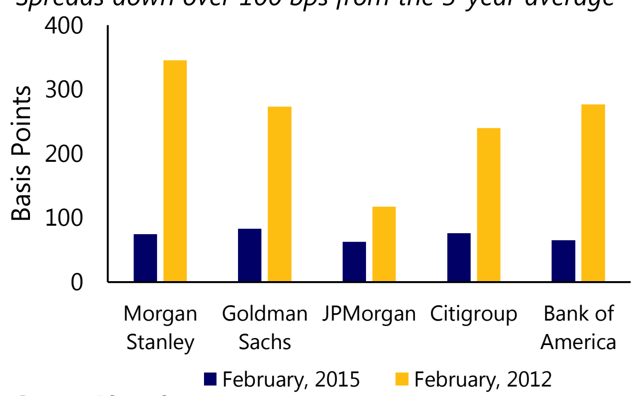


Source: Bloomberg

EXHIBIT 8

5-Year Sr. Credit Default Swap Spreads

Spreads down over 100 bps from the 5-year average



Source: Bloomberg

Catalysts & Risks

Catalysts

There are several potential catalysts for Morgan Stanley. The first of which is MS's improving equity trading revenues. The company has rapidly shifted its business from capital-intensive FICC trading to equity trading. This frees up capital while allowing Morgan Stanley to focus on its successful equity trading business. As MS continues to shift capital towards its equity trading business, trading earnings are expected to pick up.

Secondly, Morgan Stanley has a diversified business portfolio featuring more reliance on fee-based Wealth Management and less reliance on Investment Banking than many of its competitors. Its diverse business mix reduce the risk associated with individual divisions. When the markets are booming, its dominant Investment Banking division is likely to pick up major deals. In times of volatility, its trading division can capitalize on market turbulence. Given a downturn in the market, Morgan Stanley's robust Wealth Management division and favourable business mix positions it to outperform.

Lastly, the demand for Investment Banking services worldwide act as a catalyst to spur future IB ...

Catalysts & Risks

earnings growth. Companies in emerging markets such as India and China are demanding greater capital to support their international growth. Many of these companies look to go public, with Alibaba being the most prominent example in recent history. As emerging markets growth continues, the opportunity for rapid expansion in underwriting and M&A advisory fees remains as a catalyst to Morgan Stanley.

Risks

There are a number of risks associated with investing in Morgan Stanley. The first is the regulatory environment in which MS operates. The heavily-regulated Investment Banking industry has faced tightening capital requirements, which have reduced the profitability associated with many core business activities. Morgan Stanley's strong balance sheet mitigates the downside associated with compliance with Dodd-Frank legislation.

The second risk is weaker than expected Wealth Management growth. Historically, Morgan Stanley has been able to rapidly expand its Wealth Management business through growing its client base. MS has been tremendously successful, as now this segment is MS's most profitable segment. However, if Morgan Stanley is not able to sustain this expansion, growth will slow significantly.

The third investment risk is the threat of a global economic downturn. Given the nature of an investment bank, there is significant inherent risk associated with macroeconomic conditions such as the global equity market. The demand for many of Morgan Stanley's services would be diminished if major economies begin to collapse.

Valuation

Summary

When compared to other investment banks, Morgan Stanley trades at a discount on a Price-to-Tangible Book Value, Price-to-Book Value and Price-to-Earnings basis. In addition, Morgan Stanley is well-capitalized on a Basel III CET1 basis. When compared to other investment management firms & fund operators, MS trades at a substantial discount on a Price-to-Earnings basis.

EXHIBIT 9

Comparables Analysis

	Market	P / TBV		P / B		P / E			ROE		Div.	CET 1
Investment Banks	**Cap ($MM)**	**Current**	**5-yr**	**Current**	**5-yr**	**LTM**	**2015E**	**2016E**	**2015E**	**2016E**	**(%)**	**Ratio**
The Goldman Sachs Group, Inc.	$86,467	1.3x	1.4x	1.2x	1.3x	10.9x	11.1x	10.3x	10.3%	10.4%	1.3%	11.1%
UBS AG	$66,725	1.5x	1.4x	1.3x	1.4x	18.4x	12.5x	nmf	11.4%	nmf	-	13.4%
Barclays PLC	$66,207	6.6x	4.7x	5.7x	4.0x	nmf	9.2x	nmf	8.5%	nmf	-	10.2%
Deutsche Bank AG	$44,964	0.8x	0.8x	0.7x	0.6x	nmf	9.5x	nmf	5.0%	7.1%	-	11.7%
Credit Suisse Group AG	$39,118	1.1x	1.2x	0.9x	0.9x	17.4x	10.3x	nmf	nmf	nmf	-	10.2%
Mean		**2.3x**	**1.9x**	**2.0x**	**1.6x**	**15.6x**	**10.5x**	**10.3x**	**8.8%**	**8.8%**	**0.3%**	**11.3%**
Median		**1.3x**	**1.4x**	**1.2x**	**1.3x**	**17.4x**	**10.3x**	**10.3x**	**9.4%**	**8.8%**	**-**	**11.1%**
Morgan Stanley	$71,679	1.3x	1.4x	1.1x	1.1x	12.1x	12.7x	11.1x	8.3%	9.0%	1.1%	12.4%

	Market	P / E		ROE		AUM	Div.
Investment Management & Fund Operators	**Cap ($MM)**	**2015E**	**2016E**	**2015E**	**2016E**	**($BB)**	**(%)**
T. Rowe Price Group, Inc.	$21,779	17.2x	15.5x	22.9%	23.4%	$747	2.1%
BlackRock, Inc.	$62,869	18.6x	16.2x	12.4%	13.5%	$4,525	2.3%
Franklin Resources, Inc.	$33,678	14.7x	13.2x	17.9%	17.9%	$880	1.1%
Affiliated Managers Group Inc.	$12,132	15.9x	14.0x	26.5%	30.1%	$620	-
Lazard Ltd.	$6,631	14.6x	12.9x	58.9%	49.8%	$197	2.4%
Legg Mason Inc.	$6,638	13.3x	11.6x	6.2%	8.3%	$890	1.1%
Eaton Vance Corp.	$5,166	16.4x	14.8x	40.0%	40.1%	$298	2.3%
Waddell & Reed Financial, Inc.	$4,269	15.1x	13.8x	34.0%	32.3%	$129	3.3%
Federated Investors, Inc.	$3,694	19.7x	15.6x	29.3%	34.4%	$363	2.9%
Janus Capital Group, Inc.	$3,218	18.2x	13.6x	10.9%	12.5%	$186	1.9%
Mean		**16.3x**	**14.1x**	**25.9%**	**26.2%**		**1.9%**
Median		**16.1x**	**13.9x**	**24.7%**	**26.8%**		**2.2%**
Morgan Stanley	$71,679	12.7x	11.1x	8.3%	9.0%	$1,163	1.1%

Source: Company Reports

Valuation

Sum-of-the-Parts Assumptions

Revenue projections in the sum-of-the-parts model are on the conservative end of historical growth rates. Cost projections are on the conservative end of management margin expansion forecasts. We anticipate share price appreciation coming from both modest EPS growth as well as gradual multiple expansion. As more of Morgan Stanley's business is shifted towards Wealth Management, we foresee MS trading at a multiple more in line with its investment management peers. An output of the sum-of-the-parts model is provided below. A detailed breakdown of the model is provided in the appendix. Our price target is on the upper-end of analyst estimates, however we believe the market has not fully priced in Morgan Stanley's upside.

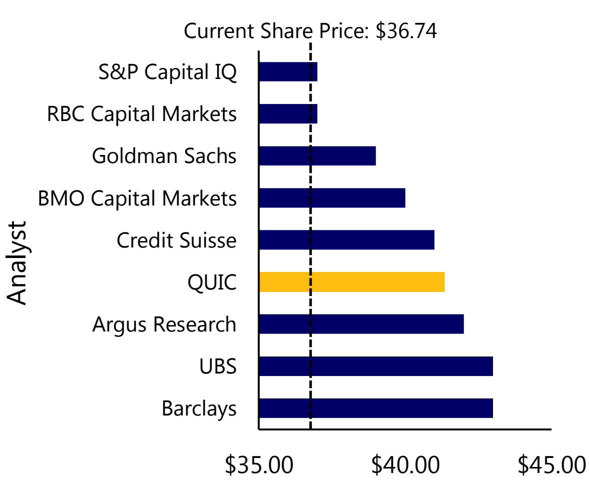
EXHIBIT 10

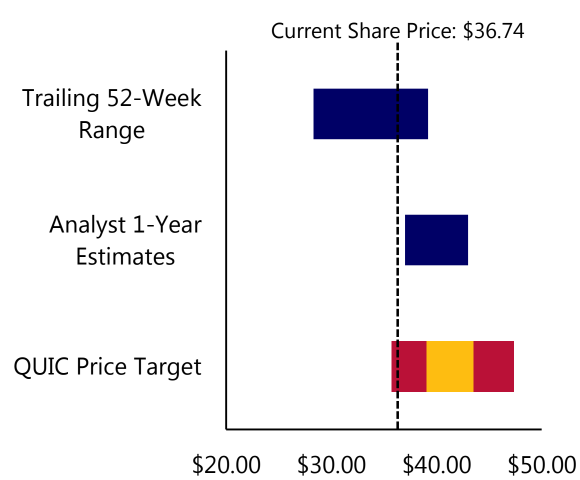
Sum-of-the-Parts Analysis

Morgan Stanley - Sum-of-the-Parts Valuation							
	Segmented Earnings			Comps	Implied Equity Value		
($ in Millions)	2013A	2014A	2015E	P/E	2013A	2014A	2015E
Institutional Securities - Investment Banking and Other	$442	$1,286	$1,412	16.8x	$7,437	$21,619	$23,745
Institutional Securities - Sales & Trading	489	1,288	1,346	11.6x	5,669	14,944	15,611
Wealth Management	1,472	3,192	2,174	16.1x	23,745	51,490	35,072
Investment Management	528	371	439	16.1x	8,517	5,985	7,086
Intersegment Eliminations	-	-	-	N/A	-	-	-
Implied Equity Value from Business Operations					$45,368	$94,038	$81,515

Implied Return			
Current Price	$36.74	Dividend Yield	1.1%
12-Month Price Target	$41.34	All-In Return	13.6%

Sum-of-the-Parts Valuation Output	2015E
Using Median Comparables	$81,515
Fully Diluted Shares Outstanding	1,972
2015E Implied Equity Value Per Share	$41.34





Source: Company Reports

* Highlighted area of QUIC Price Target bar represents the estimate interquartile range between the 25th and 75th percentile

Appendix

Institutional Securities - Investment Banking and Other											
	Historical Period						Projection Period			CAGR	
($ in Millions)	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	09A-14A	15E-17E
Investment Banking Revenue	$4,454	$4,295	$4,228	$3,930	$4,377	$5,203	$5,359	$5,520	$5,685	3.2%	3.0%
% Annual Growth		(3.6%)	(1.6%)	(7.0%)	11.4%	18.9%	3.0%	3.0%	3.0%		
Investments, Commission, Fees, Other Revenue	1,923	3,953	2,766	2,840	4,096	3,815	4,375	5,018	5,754	14.7%	14.7%
% Annual Growth		105.6%	(30.0%)	2.7%	44.2%	(6.9%)	14.7%	14.7%	14.7%		
Net Interest Income	85	(233)	(1,085)	(1,747)	(1,101)	(592)	(610)	(628)	(647)		
% Annual Growth		(374.1%)	365.7%	61.0%	(37.0%)	(46.2%)	3.0%	3.0%	3.0%		
Net Revenues	**6,462**	**8,015**	**5,909**	**5,023**	**7,372**	**8,426**	**9,125**	**9,909**	**10,793**	5.5%	8.8%
% Annual Growth		24.0%	(26.3%)	(15.0%)	46.8%	14.3%	8.3%	8.6%	8.9%		
Compensation and Benefits	3,626	3,468	2,477	3,167	3,241	3,889	4,106	4,459	4,857		
% of Net Revenues	56.1%	43.3%	41.9%	63.0%	44.0%	46.2%	45.0%	45.0%	45.0%		
Non-Compensation Expenses	2,289	2,423	1,853	2,652	3,681	3,169	3,432	3,727	4,059		
% of Net Revenues	35.4%	30.2%	31.4%	52.8%	49.9%	37.6%	37.6%	37.6%	37.6%		
Total Non-Interest Expenses	**5,915**	**5,891**	**4,329**	**5,818**	**6,923**	**7,058**	**7,538**	**8,186**	**8,916**		
% Annual Growth		(0.4%)	(26.5%)	34.4%	19.0%	1.9%	6.8%	8.6%	8.9%		
Income From Continuing Operations Before Tax	547	2,124	1,580	(795)	449	1,368	1,587	1,723	1,877		
Income Tax Provision (Benefit) From Continuing Operations	(152)	149	302	(485)	(150)	19	115	125	136		
Income From Continuing Operations	699	1,975	1,278	(310)	599	1,349	1,472	1,598	1,741		
Gain (Loss) from Discontinued Operations After Tax	84	(595)	(34)	(54)	(25)	(9)	-	-	-		
Net Income	**784**	**1,380**	**1,244**	**(364)**	**574**	**1,340**	**1,472**	**1,598**	**1,741**	11.3%	8.8%
Net Income Applicable to Morgan Stanley	**778**	**1,239**	**1,160**	**(287)**	**442**	**1,286**	**1,412**	**1,533**	**1,670**		
% Annual Growth		59.3%	(6.4%)	(124.8%)	(253.9%)	190.7%	9.8%	8.6%	8.9%		

Institutional Securities - Sales & Trading											
	Historical Period						Projection Period			CAGR	
($ in Millions)	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	09A-14A	15E-17E
Trading Revenue	**$6,315**	**$8,154**	**$11,299**	**$6,002**	**$8,147**	**$8,445**	**$8,698**	**$8,959**	**$9,228**	6.0%	3.0%
% Annual Growth		29.1%	38.6%	(46.9%)	35.7%	3.7%	3.0%	3.0%	3.0%		
Compensation and Benefits	3,543	3,528	4,736	3,784	3,582	3,897	3,914	4,032	4,153		
% of Trading Revenue	56.1%	43.3%	41.9%	63.0%	44.0%	46.2%	45.0%	45.0%	45.0%		
Non-Compensation Expenses	2,237	2,465	3,543	3,168	4,069	3,176	3,271	3,369	3,471		
% of Trading Revenue	35.4%	30.2%	31.4%	52.8%	49.9%	37.6%	37.6%	37.6%	37.6%		
Total Non-Interest Expenses	**5,780**	**5,993**	**8,279**	**6,952**	**7,650**	**7,073**	**7,186**	**7,401**	**7,623**		
% Annual Growth		3.7%	38.1%	(16.0%)	10.0%	(7.5%)	1.6%	3.0%	3.0%		
Income From Continuing Operations Before Tax	535	2,161	3,020	(950)	497	1,372	1,513	1,558	1,605		
Income Tax Provision (Benefit) From Continuing Operations	(149)	152	577	(580)	(165)	19	110	113	116		
Income From Continuing Operations	683	2,010	2,443	(371)	662	1,353	1,403	1,445	1,488		
Gain (Loss) from Discontinued Operations After Tax	83	(606)	(65)	(65)	(27)	(10)	-	-	-		
Net Income	**766**	**1,404**	**2,378**	**(435)**	**635**	**1,343**	**1,403**	**1,445**	**1,488**	11.9%	3.0%
Net Income Applicable to Morgan Stanley	**760**	**1,260**	**2,218**	**(343)**	**489**	**1,288**	**1,346**	**1,386**	**1,428**		
% Annual Growth		65.8%	76.0%	(115.5%)	(242.3%)	163.6%	4.5%	3.0%	3.0%		

Wealth Management											
	Historical Period						Projection Period			CAGR	
($ in Millions)	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	09A-14A	15E-17E
Non-Interest Revenues	$8,729	$11,514	$11,940	$11,467	$12,268	$12,549	$13,494	$14,510	$15,603	7.5%	7.5%
% Annual Growth		31.9%	3.7%	(4.0%)	7.0%	2.3%	7.5%	7.5%	7.5%		
Net Interest Income	661	1,122	1,483	1,567	1,875	2,339	3,012	3,878	4,993	28.8%	28.8%
% Annual Growth		69.7%	32.2%	5.7%	19.7%	24.7%	28.8%	28.8%	28.8%		
Net Revenues	**9,390**	**12,636**	**13,423**	**13,034**	**14,143**	**14,888**	**16,506**	**18,388**	**20,595**	9.7%	11.7%
% Annual Growth		34.6%	6.2%	(2.9%)	8.5%	5.3%	10.9%	11.4%	12.0%		
Compensation and Benefits	6,114	7,843	8,351	7,796	8,265	8,825	9,491	10,573	11,842		
% of Net Revenues	65.1%	62.1%	62.2%	59.8%	58.4%	59.3%	57.5%	57.5%	57.5%		
Non-Compensation Expenses	2,717	3,637	3,796	3,616	3,274	3,078	3,384	3,769	4,222		
% of Net Revenues	28.9%	28.8%	28.3%	27.7%	23.1%	20.7%	20.5%	20.5%	20.5%		
Total Non-Interest Expenses	**8,831**	**11,480**	**12,147**	**11,412**	**11,539**	**11,903**	**12,874**	**14,342**	**16,064**		
% Annual Growth		30.0%	5.8%	(6.1%)	1.1%	3.2%	8.2%	11.4%	12.0%		
Income From Continuing Operations Before Tax	559	1,156	1,276	1,622	2,604	2,985	3,631	4,045	4,531		
Income Tax Provision (Benefit) From Continuing Operations	178	336	465	557	910	(207)	1,457	1,623	1,818		
Income From Continuing Operations	381	820	811	1,065	1,694	3,192	2,174	2,422	2,713		
Gain (Loss) from Discontinued Operations After Tax	-	-	-	68	(1)	-	-	-	-		
Net Income	**381**	**820**	**811**	**1,133**	**1,693**	**3,192**	**2,174**	**2,422**	**2,713**	53.0%	11.7%
Net Income Applicable to Morgan Stanley	**283**	**519**	**665**	**846**	**1,472**	**3,192**	**2,174**	**2,422**	**2,713**		
% Annual Growth		83.4%	28.1%	27.2%	74.0%	116.8%	(31.9%)	11.4%	12.0%		

Appendix

Investment Management											
	Historical Period						Projection Period			CAGR	
($ in Millions)	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	09A-14A	15E-17E
Non-Interest Revenues	$1,411	$2,761	$1,928	$2,243	$3,060	$2,728	$3,112	$3,551	$4,052	14.1%	14.1%
% Annual Growth		*95.7%*	*(30.2%)*	*16.3%*	*36.4%*	*(10.8%)*	*14.1%*	*14.1%*	*14.1%*		
Net Interest Income	(74)	(76)	(41)	(24)	(1)	(16)	(16)	(17)	(17)		
% Annual Growth		*2.7%*	*(46.1%)*	*(41.5%)*	*(95.8%)*	*1500.0%*	*3.0%*	*3.0%*	*3.0%*		
Net Revenues	**1,337**	**2,685**	**1,887**	**2,219**	**3,059**	**2,712**	**3,096**	**3,534**	**4,034**	15.2%	14.2%
% Annual Growth		*100.8%*	*(29.7%)*	*17.6%*	*37.9%*	*(11.3%)*	*14.2%*	*14.2%*	*14.1%*		
Compensation and Benefits	1,104	1,108	848	841	1,189	1,213	1,288	1,471	1,679		
% of Net Revenues	*82.6%*	*41.3%*	*44.9%*	*37.9%*	*38.9%*	*44.7%*	*41.6%*	*41.6%*	*41.6%*		
Non-Compensation Expenses	906	859	786	788	862	835	1,054	1,203	1,373		
% of Net Revenues	*67.8%*	*32.0%*	*41.7%*	*35.5%*	*28.2%*	*30.8%*	*34.0%*	*34.0%*	*34.0%*		
Total Non-Interest Expenses	**2,010**	**1,967**	**1,634**	**1,629**	**2,051**	**2,048**	**2,342**	**2,673**	**3,052**		
% Annual Growth		*(2.1%)*	*(16.9%)*	*(0.3%)*	*25.9%*	*(0.1%)*	*14.3%*	*14.2%*	*14.1%*		
Income From Continuing Operations Before Tax	(673)	718	253	590	1,008	664	754	861	983		
Income Tax Provision (Benefit) From Continuing Operations	(218)	105	73	267	307	207	207	236	270		
Income From Continuing Operations	(455)	613	180	323	701	457	547	624	713		
Gain (Loss) from Discontinued Operations After Tax	(82)	664	41	9	9	5	-	-	-		
Net Income	**(537)**	**1,277**	**221**	**332**	**710**	**462**	**547**	**624**	**713**	nmf	14.2%
Net Income Applicable to Morgan Stanley	**(487)**	**869**	**76**	**145**	**528**	**371**	**439**	**501**	**572**		
% Annual Growth		*(278.4%)*	*(91.3%)*	*90.8%*	*264.1%*	*(29.7%)*	*18.4%*	*14.2%*	*14.1%*		

Intersegment Eliminations											
	Historical Period						Projection Period			CAGR	
($ in Millions)	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	09A-14A	15E-17E
Intersegment Eliminations	($8)	($12)	-	($4)	-	-	-	-	-	nmf	nmf

	Market	P / TBV		P / B		P / E			ROE		Div.
Boutique Investment Banks	**Cap ($MM)**	**Current**	**5-yr**	**Current**	**5-yr**	**LTM**	**2015E**	**2016E**	**2015E**	**2016E**	**(%)**
Evercore Partners Inc.	$1,929	6.5x	7.4x	3.8x	3.6x	22.1x	16.5x	13.9x	30.1%	30.7%	2.1%
Greenhill & Co., Inc.	$1,124	10.9x	9.3x	4.6x	4.1x	27.9x	21.6x	18.6x	21.1%	26.5%	4.5%
Moelis & Company	$602	6.1x	2.4x	6.1x	2.4x	nmf	16.8x	15.3x	nmf	nmf	2.5%
Mean		**7.8x**	**6.3x**	**4.8x**	**3.4x**	**25.0x**	**18.3x**	**15.9x**	**25.6%**	**28.6%**	**3.1%**
Median		**6.5x**	**7.4x**	**4.6x**	**3.6x**	**25.0x**	**16.8x**	**15.3x**	**25.6%**	**28.6%**	**2.5%**

	Market	P / TBV		P / B		P / E			ROE		Div.	CET 1
U.S. Banks	**Cap ($MM)**	**Current**	**5-yr**	**Current**	**5-yr**	**LTM**	**2015E**	**2016E**	**2014E**	**2015E**	**(%)**	**Ratio**
Wells Fargo & Company	$284,437	2.0x	2.6x	1.7x	2.0x	13.2x	13.2x	12.0x	13.5%	13.1%	2.6%	10.4%
JPMorgan Chase & Co.	$223,515	1.4x	1.6x	1.1x	1.2x	11.2x	10.4x	9.3x	10.1%	10.3%	2.7%	10.1%
Bank of America Corporation	$172,259	1.2x	1.2x	0.8x	0.8x	45.5x	11.6x	9.8x	2.5%	7.2%	1.2%	9.6%
Citigroup Inc.	$156,578	0.9x	1.0x	0.8x	0.8x	23.5x	9.7x	8.9x	5.4%	7.7%	0.1%	10.5%
The Goldman Sachs Group, Inc.	$86,467	1.3x	1.4x	1.2x	1.3x	10.9x	11.1x	10.3x	10.9%	10.4%	1.3%	11.1%
U.S. Bancorp	$79,842	3.0x	3.6x	2.1x	2.5x	14.4x	13.7x	12.5x	14.5%	14.4%	2.2%	9.0%
The Bank of New York Mellon Corporation	$44,103	3.2x	4.0x	1.2x	1.3x	18.2x	15.1x	12.7x	7.1%	7.4%	1.7%	10.2%
Mean		**1.8x**	**2.2x**	**1.3x**	**1.4x**	**19.5x**	**12.1x**	**10.8x**	**9.1%**	**10.1%**	**1.7%**	**10.1%**
Median		**1.4x**	**1.6x**	**1.2x**	**1.3x**	**14.4x**	**11.6x**	**10.3x**	**10.1%**	**10.3%**	**1.7%**	**10.2%**

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