Morgan Stanley

Dear Fellow Shareholders:

It is a privilege to be writing my first annual letter to you as the Chief Executive of Morgan Stanley, a Firm with a storied 88-year history. In 1990, I was hired into the Investment Banking analyst program, and the Firm has been my second home ever since. Morgan Stanley is the only place I have ever worked. I care deeply about this institution and its future.

Ted Pick
Chief Executive Officer

Thanks to James Gorman's visionary and strategic leadership, the Morgan Stanley of today is a strong and balanced financial institution. I join 80,000 colleagues in thanking James for his extraordinary leadership as Chief Executive for the last 14 years. With vision, hard work and steely resolve, James led the Firm's transformation and its reclamation of an illustrious franchise.

While there has been a change in leadership, there is no change in strategy. Our Firm has a clear and consistent business purpose: to act as a trusted advisor to clients globally, helping them raise, manage and allocate capital. This is what we do, we do it well, and our mission is to do it even better as an Integrated Firm.

> The strategic decisions made over the past 15 years have transformed Morgan Stanley's business model. Our business mix, scale, profitability and returns have diversified meaningfully and improved significantly. Today our strategy is sound and it is working.

The combination of our industry-leading Wealth Management and Investment Management platforms with our world-class Institutional Securities franchise provides a "class of one" business model with scale and durability. We have a global diversified business with a leading client franchise. I am excited about the growth opportunities ahead.

Morgan Stanley is home to talented people who embody our culture and abiding values. Over the past two decades, we have lived through highs and lows and we have learned from both. Our senior management team is unique in its combination of experience across the Firm and its longstanding client and stakeholder relationships. Together, we will continue on our path to deliver consistent long-term results for the benefit of our shareholders and clients.

FINANCIAL PERFORMANCE AND BUSINESS REVIEW

After fifteen years of financial repression, a period characterized by low inflation and low interest rates, the adjustment to a new economic paradigm will likely take several more years for the markets to absorb. 2023 was marked by geopolitical tensions, higher and uncertain rate paths, and tighter credit conditions. This resulted in subdued activity at both the corporate and investor level. In our industry, we witnessed the failure of some regional banks. Strong regulatory intervention and the support of the largest U.S. banks, including Morgan Stanley, mitigated the impact.

Despite this challenging market backdrop, Morgan Stanley delivered solid results and produced a return on average tangible common equity (ROTCE) of 12.8% for the year. The Firm reported annual net revenues of $54.1 billion and net income of $9.1 billion.

2023 Highlights

EXECUTING OUR STRATEGY

- Wealth Management revenues of $26.3 billion and pre-tax margin of 24.9%
- $5.1 trillion in Wealth Management client assets across advisor and self-directed channels; $1.5 trillion in assets under management in Investment Management
- $282.3 billion in net new assets in Wealth Management representing 7% of beginning period client assets
- $13.5 billion of total net inflows across Alternatives and Solutions asset classes in Investment Management
- No. 1 in managed accounts, with $1,856.8 billion in assets
- No. 1 in managing retail direct indexing through Parametric
- No. 2 in Equity Sales & Trading revenue wallet share at 20.4%
- No. 2 advisor on global announced mergers and acquisitions
- Wealth Management deposits of $346.1 billion
- Returned more than $10 billion in capital through dividends and stock repurchases

FORTIFIED CAPITAL AND ENHANCED LIQUIDITY

- Common equity tier 1 capital ratio standardized approach of 15.2% as of December 31, 2023, with $90.3 billion in common equity
- $314.5 billion average global liquidity resources as of December 31, 2023

Wealth Management delivered revenues of $26.3 billion and a pre-tax margin of 24.9% last year. The shift in client behavior resulting from the rise in the absolute level of interest rates impacted revenue mix and margin. Nevertheless, the business continued to grow new client relationships and attract client assets. Client relationships grew by more than 600,000 last year, led by success in the workplace channel. Net new asset growth of $282 billion over the course of the year represented an industry-leading 7% annualized growth of beginning period assets.

In Wealth Management, Morgan Stanley is the industry's leading asset gatherer. We have expanded our business model across three channels: advisor-led, self-directed, and workplace. We have leadership positions in each of these channels, reflecting the power of combining best-in-class advice with best-in-class technology. As a result of organic and inorganic growth, Wealth Management client assets were $5.1 trillion at year end. While the pace of gathering assets can vary based on

> Client assets across our Wealth Management and Investment Management businesses were $6.6 trillion at the end of 2023. Our goal is to grow these assets to more than $10 trillion. The combination of scale and diversification in these businesses positions us well strategically for long-term growth.

seasonality or market dynamics, we are confident in our ability to grow and deepen our more than 18 million client relationships with the breadth of our wealth management offering. Over time, this ability to attract, retain and deepen client relationships, coupled with our differentiated platform, will drive revenue growth and operating leverage, enabling 30% pre-tax profit margins.

In 2023, Investment Management reported revenues of $5.4 billion and increased total assets under management to $1.5 trillion at year end. These results demonstrated the diversification of the business, with the majority of revenues from durable asset management fees. We have added expanded private market offerings and enhanced structuring capabilities to our strong public market alpha engines. This business is well-positioned in areas where we see secular growth, including customization, private markets and value-add credit. In this respect, Investment Management complements our Wealth Management platform. Together, these businesses generate tailwinds to increasing our durable asset management fee revenues.

At a holistic level, the Wealth Management and Investment Management businesses have achieved the kind of scale which enables us to invest in serving clients and to take further market share through business cycles. Client assets across both businesses were $6.6 trillion at the end of 2023. Our goal is to grow these assets to more than $10 trillion. The combination of scale and diversification in these businesses positions us well strategically for long-term growth.

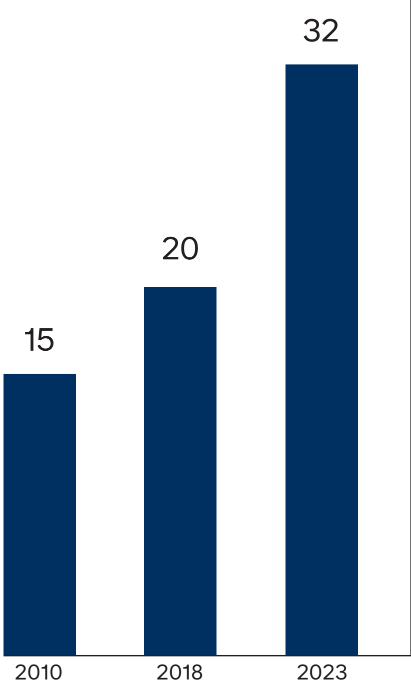
Institutional Securities—our “integrated investment bank”—delivered revenues of $23.1 billion last year. Our Equity and Fixed Income businesses delivered solid revenues overall while navigating markets and supporting our clients; however, Investment Banking activity continued to be constrained in the face of market uncertainty about the direction of interest rates. Strategic announcements

Resilient and Balanced Business Model Across Businesses

WEALTH MANAGEMENT & INVESTMENT MANAGEMENT

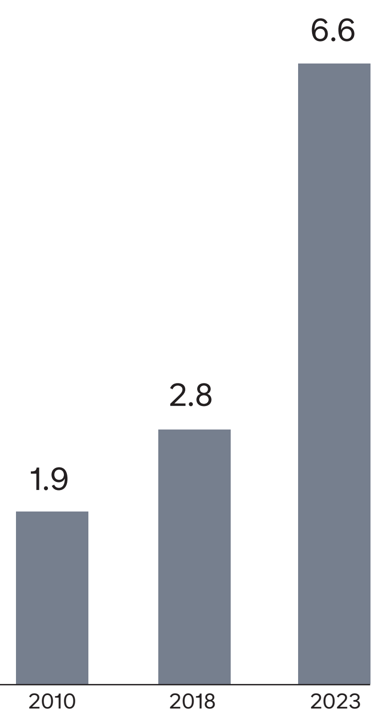
#1 Industry Leader

Net Revenues ($Bn)



>$6 Trillion in Total Client Assets

Client Assets ($Tn)



INSTITUTIONAL SECURITIES GROUP

Strategy for Leading Wallet Share Across the Integrated Investment Bank

~20% EQUITY

~15% INVESTMENT BANKING

~10% FIXED INCOME

began to pick up in the back half of 2023, and the overall pace of corporate finance activity has accelerated, supporting our optimism for a sustained capital markets rebound as 2024 unfolds.

Institutional Securities is a preeminent franchise with an extensive global client footprint and capability set. Our teams across geographies, businesses and client segments put us at the center of global capital allocation and formation. We are a trusted advisor to the most important corporations, asset managers and asset owners around the world. Today there are few competitors able to provide the full suite of global capabilities and insights to clients. We expect the next economic and financial cycle to be led by corporate finance activity—across industries and regions—which will drive Investment Banking growth. As one of the few truly global investment banks, we expect to benefit disproportionately from growth in the next cycle.

We are also focused on the state of our financial capital and diligently managing resources to realize operating leverage. Given the deliberate growth in our durable earnings over the last several years, our capital position is strong, providing us with flexibility as regulators evaluate Basel III End Game. At the end of 2023, our CET1 ratio was 15.2%. We returned more than $10 billion in capital last year through dividends and stock repurchases.

While we toggle among opportunities to support our clients, grow our businesses and repurchase our stock, the core strengths and strategic decisions made over the years are reflected in our quarterly dividend, which we have grown from 5 cents in 2009 to 85 cents per share today. The durability of our business model will drive the continued stability and growth of our dividend.

DRIVING THE INTEGRATED FIRM TOWARD LONG-TERM GROWTH

The strategic decisions made over the past 15 years have transformed Morgan Stanley's business model. Our business mix, scale, profitability and returns have diversified meaningfully and improved significantly. Today our strategy is sound and it is working.

Over this period, Wealth Management and Investment Management have tripled client assets, creating a scaled and diversified business which caters to individuals and institutions, managing their assets and wealth. Institutional Securities has been transformed into an integrated investment bank consisting of Investment Banking, Equity and Fixed Income to serve leading institutions around the world. Taken together, the business portfolio of today has higher and more stable profitability. The actions taken to grow our business—both organic and inorganic—were all within our core strategic footprint. As I stated earlier, our mission is to act as a trusted advisor to clients, helping them raise, manage and allocate capital. Our plans to continue to grow our business will remain consistent with this strategy.

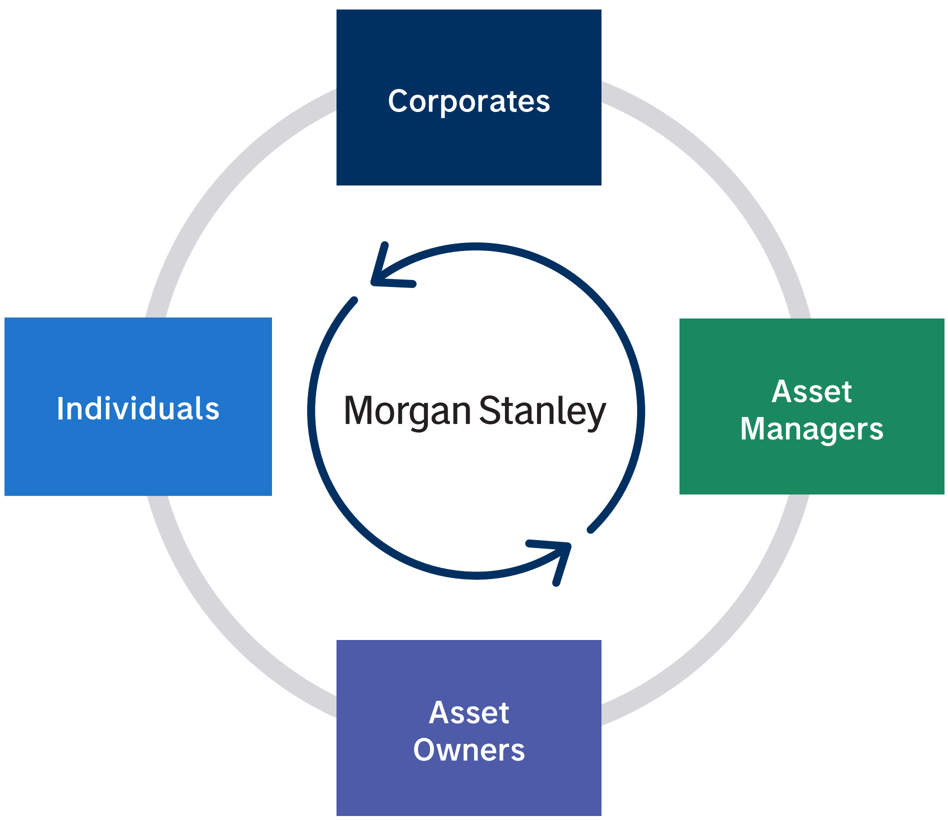
Combining our Wealth Management and Investment Management platforms with our leading Institutional Securities franchise unlocks the unique power of the Integrated Firm. Our capacity to source new client opportunities, efficiently facilitate the flow of capital and deliver Firmwide solutions has never been stronger.

We have three distinct areas of focus.

First, our premier corporate franchise spans every business segment and region, with clients at the center of everything we do—from advising the C-Suite on strategy, to helping them raise capital and hedge risks, to advising the broader employee base through our Workplace offering.

Morgan Stanley: The Integrated Firm

INTEGRATED COVERAGE MODEL



AREAS OF FOCUS

Advising Premier Corporate Footprint: Strategy to Workplace Solutions

Serving Self-Directed to Ultra-High Net Worth with Institutional Capabilities

Delivering Integrated Client Value Across Public and Private Market Ecosystem

Second, we have a unique capability to serve individuals wherever they are in their wealth accumulation journey—from self-directed up through to the ultra-high net worth clients as well as small institutions who sit between the traditional segments. We are able to deliver best-in-class institutional capabilities paired with sophisticated wealth management solutions in an integrated service model.

Third, we continue to invest in our ability to deliver investment and client solutions. Our global Integrated Firm is core to our ability to originate and structure customized opportunities across our client base. Our capabilities are augmented by scaled distribution channels, extending from the largest institutions through to individual retail clients.

With this central focus on our clients, we see significant growth opportunities in delivering the Integrated Firm. As we drive toward our performance goals, our strategy and value proposition is compelling.

We have reaffirmed the financial goals for our diversified global franchise which include reaching $10 trillion in client assets, achieving a 30% Wealth Management pre-tax margin and a 70% Firmwide efficiency ratio, and delivering 20% returns on tangible common equity through business cycles. Your management team expects a constructive market outlook over the next several years. Against this backdrop, we are intensely focused on achieving our financial objectives.

The Value Proposition

FIRMWIDE GOALS

Client Assets	**$10 Trillion +**
WM Pre-Tax Margin	**30%**
Efficiency Ratio	**70%**
ROTCE	**20%**

Our Strategy

WHAT WE DO

Advise, originate, trade, manage and distribute capital for governments, institutions and individuals, and always do so with a standard of excellence.

HOW WE DO IT

Execute in a way that is consistent with our values and, whenever possible, deliver more than one part of the Firm.

WITH WHAT RESULT

Deliver strong returns for our shareholders, build long-term value for our clients and offer highly attractive career opportunities for our employees.

INVESTING IN OUR PEOPLE AND CULTURE

The future growth and long-term success of the Integrated Firm will ultimately be driven by the depth and talent of our human capital, coupled with the strong values that guide our employees. We will continue to invest in our people and culture, and we are committed to a diverse and inclusive environment.

Delivering the Integrated Firm to clients is our highest priority, and I have the privilege of partnering with two outstanding executives—Morgan Stanley's Co-Presidents Andy Saperstein and Dan Simkowitz. Having experienced first-hand the Firm's transformation, we share a consistent vision of where Morgan Stanley is headed. Andy, in his expanded role leading both Wealth Management and Investment Management, is well-situated to leverage his deep knowledge of retail distribution and products to drive client opportunities across the businesses. Dan, having successfully revitalized Investment Management over the past eight years, is returning to lead Institutional Securities where he spent 25 years and will play a critical part in connecting the Firm around sourcing opportunities, structuring, financing and distributing capital for our clients. Both executives have burnished the Morgan Stanley brand and have successfully integrated acquisitions.

Across the Operating and Management Committees, the team is engaged and the mood is unambiguously positive. I am impressed by numerous examples with our people, clients, investors and regulators in which senior leaders recognize their partners across the Integrated Firm. We know it will take hard work and discipline to get to the next level, but the intent is clear. This is the Morgan Stanley ethos that James delivered to us and I am focused on delivering a management team that is unmatched both in its integrity and in its intensity.

Our Core Values

Since our founding in 1935, Morgan Stanley has pledged to do first-class business in a first-class way. Underpinning all that we do are five core values.

DO THE RIGHT THING

Act with integrity. Think like an owner to create long-term shareholder value. Value and reward honesty and character.

PUT CLIENTS FIRST

Keep the client's interests first. Work with colleagues to deliver the best of the Firm to every client. Listen to what the client is saying and needs.

LEAD WITH EXCEPTIONAL IDEAS

Win by breaking new ground. Leverage different perspectives to gain new insight. Drive innovation. Be vigilant about what we can do better.

COMMIT TO DIVERSITY AND INCLUSION

Value individual and cultural differences as a defining strength. Champion an environment where all employees feel a sense of belonging—are heard, seen and respected. Expect everyone to challenge behavior counter to our culture of inclusion. Attract, develop and retain talent reflecting the full diversity of society.

GIVE BACK

Serve our communities generously with our expertise, time and money. Build a better Firm for the future by contributing to our culture. Develop our talent through mentoring and sponsorship.

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Combining our Wealth Management and Investment Management platforms with our leading Institutional Securities franchise unlocks the unique power of the Integrated Firm. Our capacity to source new client opportunities, efficiently facilitate the flow of capital and deliver Firmwide solutions has never been stronger.

Our businesses are supported by a world-class technology and infrastructure organization. We have strong executive leadership and a deep bench of talent on both the business and infrastructure sides of the Firm, and we continue to invest in them and their success.

Long tenure is one element that maintains the strength of our culture. The Operating and Management Committees of Morgan Stanley each have an average tenure of more than 20 years, representing the best of the organization and culture. Our recent acquisitions and lateral hires augment and further enhance the depth of experience and talent across the franchise.

This year we promoted 155 new Managing Directors who are the next generation of talent. Women made up 37% of our new Managing Director class, increasing overall women Managing Director representation to 26%. In addition, 29% of the U.S. class were ethnically diverse. Building a workforce that is diverse in all respects is important so that we can reflect the communities in which we live and the clients we serve while continuing to attract the best talent to the Firm. Supporting diversity efforts in all forms within Morgan Stanley remains core to our values, and we continue to provide programs and offerings that foster a community of belonging.

Last year, we combined our reporting on Diversity and Inclusion with Climate and Sustainability. We have been reporting annually on these topics so that we can track our progress and keep ourselves accountable. We think about sustainability in a holistic way—in addition to having a resilient and durable business model, we want to be sustainable in using resources in our own operations, as well as helping our clients achieve their own sustainability goals. Across our businesses, our goal is to mobilize $1 trillion in sustainable finance by 2030. We will release our next report later in the year where we will highlight our work helping clients manage and progress toward their sustainable finance objectives.

LOOKING AHEAD

The Morgan Stanley of today will perform well through the business cycle and is uniquely positioned to drive long-term growth. We have a clear and consistent strategy. We have a global business, a world-class wealth and investment manager and a leading investment bank. Working together as an Integrated Firm, our businesses and regions intersect and support our strategy. Growth opportunities lie ahead of us. We will continue to lead with asset consolidation across Wealth Management and Investment Management and remain committed to growing high quality share in Institutional Securities to consistently deliver our Integrated Firm to clients globally.

I am honored to lead Morgan Stanley's 80,000 employees around the world, proud of the partnership in our executive leadership, and have great confidence in our senior management teams across the businesses. We will continue to invest in our people and culture whose talent, ingenuity and dedication deliver results for our clients and communities.

I am excited about our future and confident in our ability to deliver lasting value to you—our shareholders. Thank you for your investment in Morgan Stanley.

Ted Pick
Chief Executive Officer
April 5, 2024

EXPLANATORY NOTES

This letter may contain forward-looking statements, including the attainment of certain financial and other targets, objectives and goals. Actual results may differ materially from those expressed or anticipated in these forward-looking statements. Morgan Stanley does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of such forward-looking statements. For a discussion of risks and uncertainties that may affect future results, please see Morgan Stanley's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including any amendments thereto.

The comparisons of current and prior periods are impacted by the financial results of the acquisitions of E*TRADE Financial Corporation (E*TRADE), which closed on October 2, 2020 (reported in the Wealth Management segment), and Eaton Vance Corp. (Eaton Vance), which closed on March 1, 2021 (reported in the Investment Management segment).

Information provided within this letter may include certain non-GAAP financial measures that we believe to be useful to us, investors, analysts and other stakeholders by providing further transparency about, or an additional means of assessing, our financial condition and operating results. The definition of such financial measures and/or the reconciliation of such measures to the comparable GAAP figures is included in either the Annual Report on Form 10-K for the year ended December 31, 2023 (2023 Form 10-K), or herein.

The attainment of **goals** or 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.

Return on average tangible common equity (ROTCE) and tangible common equity are non-GAAP financial measures. The calculation of return on average tangible common equity represents full-year net income applicable to Morgan Stanley less preferred dividends as a percentage of average tangible common equity. Tangible common equity represents common equity less goodwill and intangible assets net of allowable mortgage servicing rights deduction.

Net income represents net income applicable to Morgan Stanley.

Pre-tax margin represents pre-tax profit as a percentage of net revenues. Pre-tax profit represents income before provision for income taxes.

Common Equity Tier 1 (CET1) Capital Ratio is based on the Basel III Standardized Approach Fully Phased-in rules.

Wealth Management client relationships represent advisor-led households, self-directed households, stock plan participants, and retirement and financial wellness participants excluding overlap as of December 31, 2023.

Net new assets represent client inflows (including dividend and interest) less client outflows (excluding activity from business combinations/divestitures and impact of fees and commissions).

Investment Management **Alternatives and Solutions** asset class includes products in Fund of Funds, Real Estate, Private Equity and Credit strategies, Multi-Asset portfolios, as well as Custom Separate Account portfolios.

Total client assets of $6.6 trillion represent Wealth Management client assets and Investment Management assets under management.

Efficiency ratio represents total non-interest expenses as a percentage of net revenues.

Wallet share represents the percentage of Morgan Stanley's Institutional Securities segment net revenues to the Wallet. The Wallet represents Investment Banking, Equity Sales & Trading and Fixed Income Sales & Trading net revenues, where applicable, for Morgan Stanley and the following peer set: Bank of America, Barclays, Citigroup, Deutsche Bank, Goldman Sachs, JP Morgan and UBS.

The attainment of these **wallet share** positions 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.

Industry leader ranking is based on internal analysis of net revenues for Morgan Stanley and peers. Net revenues represent the combination of Wealth Management and Investment Management for the peer set: Bank of America, BlackRock, Charles Schwab, Fidelity, Goldman Sachs, JP Morgan, UBS and Wells Fargo. The analysis utilizes data for peers that have reported full-year 2023 results as of January 15, 2024. For peers that have not yet reported, excluding Fidelity, net revenues are based on the last twelve months as of September 30, 2023. For Fidelity, net revenues represent 2022 total company revenues. Net revenues for Morgan Stanley represent the addition of Morgan Stanley's Wealth Management and Investment Management net revenues for full-year 2023, excluding intersegment activity.

Net revenues for 2010 have been adjusted to exclude the positive impact of DVA of approximately $3 million. The adjusted net revenues are a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance.

Net new assets as % of beginning client assets represents net new assets divided by beginning client assets for each period.

Deposits reflect liabilities 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.

Liquidity resources, which are held within the bank and non-bank operating subsidiaries, comprise high-quality liquid assets and cash deposits with banks.

The **No. 1 in managed accounts** ranking is based on Money Management Institute and Cerulli Associates | Advisory Solutions Quarterly – 3Q 2023.

The **No. 1 in managing retail direct indexing assets** ranking is based on Cerulli Associates Managed Account research as of 4Q 2023.

Equity revenue wallet share is based on reported 2023 net revenues for the equity businesses of Morgan Stanley and the following global peer companies: Goldman Sachs, JP Morgan Chase, Bank of America, Citigroup, Barclays, UBS Group and Credit Suisse. UBS completed the acquisition of Credit Suisse on June 12, 2023; as a result, Credit Suisse figures included in the equity revenue wallet share only reflect their independently reported first half 2023 results.

League table rankings are based on Refinitiv as of January 2, 2024.