Good morning, this is Kathleen McCabe, Head of Investor Relations. During today's presentation, we will refer to our earnings release and financial supplement, copies of which are available at www.morganstanley.com. Today's presentation may include forward-looking statements that are subject to risks and uncertainties that may cause actual results to differ materially.

Please refer to our notices regarding forward looking statements and non-GAAP measures that appear in the earnings release. This presentation may not be duplicated or reproduced without our consent. I will now turn the call over to Chairman and Chief Executive Officer, James Gorman.

James Patrick Gorman - Chairman & Chief Executive Officer

Thank you, Kathleen. Good morning, everyone. Let me get straight into it. Obviously, 2016 got off to a difficult start. Markets were challenging, equity issuance was effectively non-existent, and retail activity was extremely subdued, reflecting the many uncertainties with which investors grappled. These included negative interest rates internationally, questions around the pace of Fed activity in the U.S., the growth rate of the Chinese economy, and growing concerns about geopolitical issues like the migration crisis and potential for Brexit, among others.

The securities businesses were exposed to a number of these factors, which led to a more challenging revenue environment than what we have come to expect in the first quarter of the year. That said all was not lost. M&A was robust, equities once again delivered a strong performance, and Wealth Management generated a pre-tax margin greater than 21% despite market headwinds and fewer trading days. We made real progress in our expense discipline ahead of our broader initiative called Project Streamline, which, as we said, will play out over the next two years.

So, where are we now? Though it's impossible to predict the future, we're seeing a slightly better turn in markets, certainly, in comparison to what was evident at the start of the first quarter, leading into the early days of February.

The M&A pipeline is strong and some green shoots suggest the equity underwriting calendar may open up. The S&P level at the end of the first quarter will help with asset pricing in our Wealth Management business, where we continue to grow our lending book and see flows into managed accounts. Importantly, fixed income, notwithstanding the 25% cut in head count, improved sequentially. By no means can FIC be considered strong, but the business is showing some resilience in this difficult environment.

In January we laid out our strategic goals for 2016 and 2017. While we have yet to see the revenue growth we anticipated, it remains early days. In a minute, Jon would take you through the progress we have made to date. It must be said that if these markets were to continue as is, our goals will be extremely difficult to achieve and we would therefore take additional appropriate actions. We obviously accept a degree of volatility in the revenue environment that has led to lower revenue pools, although, we do not expect this as a permanent state.

We also recognize that we cannot control the environment in which we operate, but we are focused on what we can control such as expenses. As part of Streamline, we are reshaping our expense base, and have embarked on an aggressive evaluation of our global infrastructure costs, reviewing each product, business and geography globally to convince ourselves that we need our footprint as it is currently configured.

We operate under a multitude of capitol tests and requirements. In January, we discussed our belief that we have sufficient capital for our business mix and risk profile and we're taking actions that should result in longer-term reduced capital requirements. For SLR and CET1, we are well in excess of the requirements in which we will be subject to in 2018 and 2019, respectively.

In terms of capital return, which has been one of the cornerstones of our strategic plan, our binding constraint is CCAR. To be clear, this is not a comment with respect to our capital return plans for this year, which we deem appropriate, but more for the following years. In order to drive capital returns to shareholders on a more substantial base than our current CCAR submission is asking for, we must continue to reduce those parts of our business that give rise to the high stress losses and capital deductions and/or balance sheet usage. While in a difficult quarter, we still made $1 billion dollars, our ROE was 6%. This is not acceptable.

Finally, we received feedback last week on our resolution plan, which was deemed credible by the FDIC, but, on account of one deficiency, was deemed not credible by the Federal Reserve. As you saw, we received very detailed comments, and we're confident we'll be able to address the items that were raised.

We have dedicated significant resources and time to this important priority and will continue to work with our regulators to improve it. This management team would do what is necessary to ensure that we continue to progress against our strategic plan. I look forward to doing an update at the Morgan Stanley Financials Conference in June.

So, let me now turn it over to Jon to walk through the quarter in greater detail. Thank you.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Thanks, James. Good morning. As James said, the beginning of 2016 got off to a challenging start as negative sentiment and volatility prevailed in the global markets, undermining the traditional strength and client activity we have typically seen at the start of the year.

Concerns about global growth, China, commodities, and interest rates resulted in divergent performance of global indices and mixed results across international markets. Against this turbulent backdrop, we remain focused on delivering for our clients and helping them navigate these difficult markets. We continued to demonstrate strength in our equities and M&A businesses and stability in Wealth Management.

For the quarter, we reported revenues of $7.8 billion, essentially flat versus fourth quarter 2015 when excluding DVA for the fourth quarter. During the first quarter, we early adopted the accounting guidance that requires that DVA be presented in accumulated other comprehensive income as opposed to net revenues. Results for previous quarters shown in the supplement were not subject to restatement under the guidance. In my remarks, the prior period amounts exclude DVA.

Non-interest expense for the quarter were $6.1 billion dollars, comprised of $3.7 billion of compensation expense and $2.4 billion of non-compensation expenses. We remain focused on reducing expenses and, as James mentioned, Streamline initiatives have begun to take shape.

Some of the areas we are focused on in Streamline include: first, our workforce strategy. We continue to remix our global workforce and have approximately 40% of our infrastructure employees in our centers of excellence around the world. We are targeting to increase the number of employees deployed by 10% to 15%, and are actively working toward achieving this by year-end 2017.

Many of the initiatives involve leveraging best-in-class technologies. For instance, we are adopting virtualization and private cloud computing to increase agility and asset utilization, while achieving a significant reduction in our data center expenses. We are building the next-generation Wealth Management desktop and mobile suite for both our financial advisors and clients, while optimizing and automating our operations and work flow.

We're also partnering with incumbent technology companies and emerging startups on a number of initiatives to improve efficiency and lower costs.

And lastly, we are focused on rationalizing our footprint and infrastructure to ensure we are as efficient and productive as possible. In particular, there are opportunities across our Institutional Securities and Wealth Management businesses where we have the ability to drive efficiencies while improving collaboration.

Turning to Institutional Securities, revenues were $3.7 billion, up 5% quarter on quarter. Non-compensation expenses were $1.4 billion for the quarter, down 13% versus the fourth quarter, driven by a decline in professional services. Compensation expenses were $1.4 billion, reflecting a 37% ISG compensation ratio.

In investment banking, we saw continued strength in our M&A business, offset by a tougher backdrop for our underwriting businesses. IPO volumes were down 82% quarter on quarter, and high-yield volumes were down off of already low levels in the fourth quarter. For the quarter, we generated $990 million in revenues, down 18% sequentially. Advisory revenues for the quarter were the strongest post-crisis at $591 million, up 15% as the deals announced last year continue to close.

Equity underwriting revenues were $160 million, down 55% versus 4Q, driven largely by the significant decreases in IPOs. Fixed income underwriting revenues were $239 million, down 31% versus the fourth quarter, reflecting a slowdown in high-yield and leveraged loan markets.

In equities, we saw continued leadership with revenues of $2.1 billion, up 13% sequentially. Prime brokerage revenues were higher this quarter as we work closely with our clients and continue to focus on the efficiency of our balance sheet and returns.

Derivatives revenues were up sequentially driven by increased client activities, as clients tried to navigate volatility and hedge risk exposures. And cash equity revenues were down versus 4Q against the backdrop of lower global equity markets and a limited new issue calendar. And we continue to show leadership in our electronic products suite.

Fixed Income & Commodities sales and trading revenues were $873 million, up 59% versus the fourth quarter, although, down 54% versus the first quarter of 2015 when we had a very strong commodities quarter, both in our Oil Merchanting business, which we sold in 4Q last year, and our commodities trading businesses.

Throughout the quarter, we saw a continuation of the challenges experienced in the second half of 2015. This translated into ongoing muted levels of client activity across our Fixed Income & Commodities business.

Despite these headwinds and the 25% reduction in head count, we maintained our client focus and improved results from the fourth quarter.

We saw some improvement quarter-over-quarter in corporate credit with strength in investment grade, and we saw continued weakness across commodities. Fixed income RWAs were down $4 billion in the quarter to $132 billion. And our SLR balance sheet was down approximately $9 billion to $345 billion.

While revenues for the quarter were up sequentially, they are not where we ultimately want them to be. We're focused on driving execution and bringing our sales and trading businesses together to leverage synergies across the platform.

Other sales and trading revenues were down quarter-over-quarter, driven by hedging losses for our relationship lending book. Other revenues were down versus fourth quarter, driven by an increase in our allowance for loan losses for our held for investment portfolio.

In the quarter, we have continued to see pressure on the energy complex and have seen some credit migration and some bankruptcies. Our loan-loss provision on our HFI portfolio of $127 million this quarter was predominantly against our energy portfolio. As a reminder, 40% of our approximately $15 billion funded and unfunded energy exposure is fair value or held for sale, where we mark-to-market daily and have taken markdowns this quarter.

Our energy exposure is down about $1 billion dollars from last quarter. And importantly, we have not seen any meaningful signs of contagion. Lastly, average trading VaR for the fourth quarter was flat versus last quarter at $46 million.

Wealth Management revenues for the first quarter were $3.7 billion, down 2% versus the fourth quarter, reflecting muted client activity in an unfavorable market environment as well as fewer trading days. Our PBT margin for the quarter was 21.4%, up slightly versus 4Q15, reflecting the stability of the business. Bright spots for the quarter were continued momentum in our lending strategy and the ongoing secular trends to manage accounts. Flows for the quarter were approximately $6 billion with decent pickup in March.

The NII story continues with net interest income up 7% sequentially and 21% year-over-year, driven by solid loan growth. Funded lending balances in Wealth Management grew approximately $2 billion or 5% during the quarter and $12 billion or 30% year-over-year. Credit metrics remain strong with an average FICO score of greater than 750 for our mortgage borrowers.

Transactional activity was particularly weak as clients remained on the sidelines due to market volatility and a lack of new issues. The first quarter for commission revenues were the lowest we have seen in the last five years, reflecting the very cautious attitude of investors in this highly uncertain environment. As global and domestic uncertainties abate, we would expect a return to a more normal level of activity.

On the expense side, compensation was down 3% quarter-over-quarter, driven by lower deferred compensation plans returns. Non-compensation expenses were down 5% versus fourth quarter, driven by seasonally lower expenses in marketing and business development. Deposits in our bank deposit program were $152 billion in the first quarter, up $3 billion versus the fourth quarter, though lower than the quarter's peak, reflecting some improvement in client activities as market conditions have improved.

In Investment Management, revenues were $477 million, down 23% quarter-over-quarter. Revenues from asset management fees for the quarter were $526 million, up 5% versus 4Q, reflecting the steadiness of this revenue line, and AUM was essentially unchanged at $405 billion. Investment revenues in the quarter were a loss of $64 million, driven by volatility and particular weakness in emerging market investments, resulting in mark-downs and some reversal of carry. Overall, expenses were down 13% quarter-over-quarter, driven by compensation, which was down 23%.

Turning to the balance sheet, total assets were $808 billion at March 31, up from the $787 billion at December 31. The increase reflects a low fourth quarter spot asset level given lower client activity at the end of the year as well as higher levels of liquidity in the first quarter. Our average balance sheet, however, was down to $802 billion in the quarter from $814 billion in 4Q.

Pro forma fully phased in Basel III advanced RWAs are expected to be approximately $386 billion, down from $395 billion in the fourth quarter. Our pro forma fully phased in Basal III advanced Common Equity Tier 1 ratio increased to 14.5%. Our pro forma supplementary leverage ratio for the quarter was 6%, up from 5.8% in Q4.

During the first quarter, we repurchased $625 million of common stock, or approximately 25 million shares, and our board declared a $0.15 dividend per share. Lastly, in the quarter, as you will see in our supplement, we modified our segment common equity allocation disclosure to base it on fully phased in regulatory capital, as the market has focused more on these ratios than the transitional ratios.

As we've said in the past, we look at capital through multiple lenses, so this is not a totally new view for us. Capital is allocated based on risk-based and leverage-based requirements under both business-as-usual as well as stress scenarios. This resulted in a reduction in parent equity from $21 billion to $6 billion, and the resulting $15 billion is allocated across the segments. We will now allocate equity to our segments only at the beginning of the year, and it will remain fixed throughout the year.

Turning to the outlook, across sales and trading, we do not believe that the backdrop we saw in the first quarter will become a permanent state and have already seen some improvement in market conditions. However, given the numerous uncertainties across regions, we would expect to see some uneven markets and client activity. We are engaged with our clients and focused on delivering content, liquidity and solutions.

In banking, M&A pipelines are healthy and client dialogs remain strong, but we would expect a slowdown from last year's elevated pace. We are cautiously optimistic that equity underwriting volumes will improve after a very muted first quarter, probably more weighted to the second half. We have seen IPOs in the U.S. and EMEA starting to come to market. How these transactions are received will be important to confidence going forward.

In debt underwriting, we would expect the investment grade markets to remain stable and are seeing signs of life in the non-investment grade markets, although still selective at the bottom of the capital structure. In Wealth Management, we would expect to see the stability and trends seen in the last several quarters to continue. And in Investment Management, we expect the asset management fees to remain stable and expect potential lumpiness in the investments line. We will continue to focus on Project Streamline and managing our risk profile.

With that, we will open up the line to questions.

Question-and-Answer Session

Operator

Our first question comes from the line of Michael Carrier with Bank of America. Your line is open.

Michael Roger Carrier - Bank of America Merrill Lynch

Thanks, guys. James, maybe first one for you and this is based off of the strategic update that you provided last quarter, just on the ROE target. Just wanted to get a sense, when you think of – in that situation, I think revenues were up maybe low-single digits; a lot of that being driven by the

Wealth Management segment. And then, in this environment, obviously, the whole industry has some weakness and revenues are down 20% for you guys. So when we think about those targets in that revenue range of up low-single digits to down 20%, how much of the cost structure can be managed, particularly, if we're not – obviously, not down 20%, but even if we're plus or minus 5% on the revenue base, is that still an environment where, by the end of 2017, the targets are still attainable?

James Patrick Gorman - Chairman & Chief Executive Officer

Good morning, Mike. I think, first of all, the targets are, as you point out, 2017 targets, and they did have in them – they were driven in part by three efforts. One was Project Streamline and the ability to take out $1 billion dollars of compensation, non-compensation expenses, assuming a flat revenue environment. The second was modest revenue growth of 3% to 5%; and then, of course, continuance of our capital plans.

I think it's – I know we're going to get a lot of calls on this, because that's the perils of putting out a target is you get asked about it every time, every quarter until you finally get there. But we did put it out for 2017, so I think it's very early days here. This was an – as we said, an unusual backdrop. I think everybody would acknowledge the calendar was very weak. As we said, retail investors were very skittish. We still had some cleanup in the Investment Management area. So it was an unusual backdrop.

So, we're not really at the stage of second guessing those targets at this point. What I was trying to make clear in my opening comments that we're definitely not standing still. If indeed the environment continued as is, we would be much more aggressive on the cost front. That's our job, and we intend to do it. I'm not about to project what that means in terms of targets. We're standing by our 9% to 11% by the end of 2017. And let's see how this plays out over a couple of quarters. But we're very focused on this.

We think this business mix is attractive against those kinds of targets. We have no problem with that. We think we're in a position where over time we're going to be doing increasing capital distributions. We believe that the markets are unlikely to be at the level that we were at in the first quarter, but, again, we have to deal with reality. If it turns out that is the case, we'll react accordingly.

Michael Roger Carrier - Bank of America Merrill Lynch

Okay. Thanks. And then, just as a follow up, maybe on the Wealth Management business. You're still – pretty good trends for what you guys can control. Just given that we have got the final Department of Labor fiduciary role, just wanted to get your sense on – as we have to implement that, some of the either pressures the business, how much from a cost structure has already been put into the budget, and so from a pre-tax margin standpoint, any really change on that? And just your view overall on how to manage that business with the new rule.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Sure, Mike. It's Jon. We're still digesting sort of all the nitty-gritty of the final rule, but I think, as we've said in the past, we had been preparing for this eventuality for a while now, and we've been investing for this eventuality. And when we put out our 23% to 25% margin target for next year, we had this in mind. As we said, we have the largest advisory platform in the industry, as well as significant investments in our digital platform. So we think that we're well positioned here. We're going to work with our clients to provide solution to their investment needs, and I think, by the end of the day, overall impact to both our clients and our financial results are very manageable.

James Patrick Gorman - Chairman & Chief Executive Officer

I'd just add one thing to that. The DoL ruling, obviously, it's good to have it in writing, so we know what we're dealing with. And, frankly, given the annuitization focus of the business that's sort of consistent with where we as a firm have been going. But it's one of many things that are going on in that business. And I would – as Jon said, I would pay attention to many of the things, including the growth in the bank, the expense savings, the digital strategy that we're putting in place. There are a lot of things going on that we'll be updating over the next 12 months. This was an important one, but it's not the be-all and the end-all.

Michael Roger Carrier - Bank of America Merrill Lynch

Okay. Thanks a lot.

Operator

Thank you. Our next question comes from the line of Devin Ryan with JMP Securities. Your line is open.

Devin P. Ryan - JMP Securities LLC

Hey, thanks. Good morning. Maybe just another one here on GWM and, really, just thinking about the contribution of kind of managed accounts relative to the existing business, and is that shift , is that accretive or dilutive to profitability in the segment? And then, I guess, you just alluded to this, but with bringing on some executives with digital expertise, how should we think about the role of robo advice tools within your broader set of services to clients?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

So, a couple of questions there. I think in terms of the trends in the business, again, we've been very pleased with the stability of this business. We've been investing in this business for a while. We've been yielding the synergies of bringing the two platforms together, bringing the teams together, and the results have been reasonably stable in what is a difficult backdrop.

The digital platform is a really exciting opportunity for us. We've talked about a couple of things as being sort of secular trends. The role of managed account and people wanting advice for their balances is something that we can continue and was one of the premises for the merger of Smith Barney in the first place and we saw that continue.

We've got about $800 billion in managed accounts now, about 40% of our assets, and we think we can continue to grow that. And so that is a very important part of the strategy, and I think the digital strategy is just going to help provide our clients with the types of services they need. We have over 2.5 million households. Many of our clients like to interface with their advisors on the phone; some like to come in; some like to use technology. So making sure we have good products and services across that full spectrum is going to be important and I think the recent hire that we made on our digital strategy to lead that in Wealth Management is really going to yield some interesting innovations going forward.

Devin P. Ryan - JMP Securities LLC

Okay, great. That's very helpful. And then, with respect to trading, particularly in FIC, it sounds like the quarter ended on a better note, so can you just maybe help us think about that as it carry into April and is it – across businesses and really within credit specifically, it seems like that was one area that was a little bit of a headwind, so how are markets there and how's activity started this quarter?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Well, in terms of the FIC performance in terms of the different items, I highlighted some pickup in credit. I would say, as you know, we're more oriented towards the credit products, and we saw some modest improvement in those areas, but still a difficult backdrop and challenging environment for those products, so they're still below where we would like to see them and below their historical levels.

On the macro side, our rates business held in okay. FX was clearly slower, given our footprint as well as sort of the more muted volatility that we saw in the FX rates this quarter. But, all in all, again, it was a decent quarter for us in light of the backdrop and in light of our business mix. We did see a pickup towards the end of March that sort of followed through a little bit here in the first couple of weeks of April, although, obviously, the events over the weekend and what we've seen in Asia and some of the commodities is just a stark reminder that we're going to continue to see periods of volatility here.

Devin P. Ryan - JMP Securities LLC

Got it. That's helpful. And then, I guess, just on that note, the fair mark – fair value mark within the energy book, did you disclose that?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

No. No, we did not.

Devin P. Ryan - JMP Securities LLC

Okay. Can you provide any additional color on that?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Again, from an energy perspective what I would say is that 40% is both fair value and held for sale, the held for sale marks you'll see run through other revenues. The fair value will run through the sales and trading line items, and we mark to mark that daily.

Devin P. Ryan - JMP Securities LLC

Got it. Thanks for taking all my questions.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Thank you.

Operator

Thank you. Our next question comes from the line of Matt O'Connor from Deutsche Bank. Your line is open.

Matthew Derek O'Connor - Deutsche Bank Securities, Inc.

Good morning.

James Patrick Gorman - Chairman & Chief Executive Officer

Good morning.

Matthew Derek O'Connor - Deutsche Bank Securities, Inc.

Just following up on fixed income to start here. Obviously, a lot of moving pieces with a weak macro, restructuring that you're doing, but as you think about kind of more of a steady state or a typical first quarter, and I can appreciate it's very hard to frame, but are you thinking leverage of kind of 50% higher from where we are here or how are you right-sizing the cost base? What revenue environment are you thinking the business is capable of generating?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Let me try to tackle that. There were a couple of different components there. But let's – first of all, let's put it into context when we look at the first quarter of 2015 versus the first quarter of this year. I said back in March that wasn't a good starting point for comparison for a couple of reasons.

First of all, if you recall last year, we benefited from the extreme weather in the first quarter. Not only was that from our physical oil business, but we saw significantly higher levels of client activity. Since also the first quarter of last year, we continue to restructure and reshape this business both in terms of its footprint and capital intensity. We've sold the Oil Merchanting business. In the first quarter or at the end of last year, we had about $190 billion of RWA dedicated to the business and, today, that number is closer to $130 billion.

More recently, we changed the leadership, and then in December we took out 25% of the head count. So this is a different model – excuse me, a different business. It's got less capital, it's more focused, and in short, we're undertaking a major restructuring. It's against a difficult backdrop. The backdrop has been more negative against our more credit-oriented businesses. And we had a decent quarter. I wouldn't say it was a great quarter, but it was certainly decent, and we want to build on the early progress that we've seen here.

We don't expect to see the types of quarters that we saw in the first quarter of 2015, but we are focused on doing better and getting more consistent results. You asked about profitability levels. I think, in January, when we rolled out the strategy, we said we wanted a credible and critical fixed income business. We were going to take capital out. We were going to take cost out. We were going to try to maintain the revenue footprint and, therefore, it was obviously going to improve the overall profitability of the business.

The last couple of years, we've generated somewhere in the order of $4.2 billion or $4.3 billion of revenue. We're trying to maintain that revenue base. The first quarter is slightly below that run rate, but it's a, again, decent result. And we're still focused on trying to maintain that revenue footprint.

Matthew Derek O'Connor - Deutsche Bank Securities, Inc.

Okay. That's helpful. And then just separately, the non-comp cost came down nicely both linked-quarter and year-over-year. I think there's still quite a bit of benefit to come from your initiatives there. But just walk us through how we think about the trajectory both maybe heading into 2Q and 3Q, and then I think most of the savings you talked about hitting next year and just reiterate that that's still the case.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Yeah. No, I think that's the right way to think about it. Some of the comments I mentioned about the initiatives underway are really going to take – those things take time to evolve into the cost savings. We're making good progress. And, as I mentioned before, the Streamline initiatives, many of them will hit towards the back half of this year and next year. But the progress that we've made to date is just a maniacal focus on making sure we control our discretionary spend and we're being very prudent here.

Matthew Derek O'Connor - Deutsche Bank Securities, Inc.

Okay. Thank you very much.

Operator

Thank you. Our next comes from the line of Guy Moszkowski with Autonomous. Your line is open.

Guy Moszkowski - Autonomous Research US LP

Thank you. Good morning. Thanks for the reallocation disclosure on the – on the fully phased capital. That's helpful to understand what the real capital usage of the different business lines is. I guess my question on the back of that though is there any change to the expectation that FIC, as a result of the strategic actions that you took late last year, that it could free up more than $5 billion to $8 billion in capital over time? Now, that we see $43 billion in ISG capital, the $5 billion to $8 billion free-up given how much of that $43 billion we know must belong to FIC seems like it's not actually that much.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Listen, I think that the plan that we laid out in January in terms of the actions around the balance sheet and SLR footprint leads to about $5 billion to $8 billion of freed-up capital. We said in the past that we might reinvest some of that back into other ISG businesses, so that line item might not move as people would expect, but, again, we're going to evaluate all of our businesses and all of our assets and investments to see if we can be more capital efficient. Right now, we think that $5 billion to $8 billion is the right number.

James Patrick Gorman - Chairman & Chief Executive Officer

I'd just add, Guy, the real game in town relating to capital is CCAR and we're approaching – I think we're approaching a point in time when the basic architecture of the CCAR model will be in place. That doesn't mean that the actual scenarios won't change year to year, of course, they're going to change year to year, but the architecture will be in place.

By that I mean, I think next year we'll see the G-SIB buffer put into CCAR, and when that is put in, there are likely to be various other changes, as I understand it, to the CCAR model, which would net against the G-SIB buffer. Once we have all of that under the four ratios in CCAR and each of them over their nine quarters, we'll have a much better sense of what our true capital buffer is.

So, at the moment, we're sailing a little bit blind. The numbers we have laid out is what we see as sort of visible buffer right now. But our hope is that, over time – this is not the final end state for us in terms of excess capital. We think over time that we will have more excess capital than that, but to get there, we need to do it within the confines of what the CCAR stress tests are demanding. And as we get the final – what I think is likely to be the final architecture of CCAR next year – again, not the final models, but the final architecture, we will be able to adjust our business models accordingly.

Guy Moszkowski - Autonomous Research US LP

That's fair and helpful in terms of how you're thinking about it. Thanks. Maybe a follow-up on that is as the fixed income business continues to evolve, it would seem that it is going to evolve to be more of a digital market business with probably less of a human, but also probably over time still less of an economic capital footprint associated with it. Is that fair? And could you talk about your vision for fixed income now that Ted has been overseeing it for a long enough time to maybe start to think about how it becomes more digital?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Yeah. Sure, Guy. We do think that there are some trends in the fixed income business that will lead themselves to more electronification. We've talked about certain areas of FX and other places. As you know, we have true leadership in our electronic product suite in equities, and we're going to use some of that learning to see if we can migrate that into the fixed income area; but we do see further electronification. The speed in which that happens is obviously going to be determined over time, and we do think we are well-positioned given our leadership that we've shown in digital and electronic products in the past.

Guy Moszkowski - Autonomous Research US LP

Thanks. That's all helpful. And then just one final question, which is more on the current credit environment in energy and materials and mining. Can you give us a sense for what your loan loss reserve as a percent of exposure is for the banking book portion of those exposures?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Again, what I would say, Guy, is, as you know, not all of our portfolio is held for investment. A good chunk, 40%, is fair value and held for sale, which gets marked daily. I said in March at the conference that I was generally more concerned about the global macro backdrop and what that does to the trading environment, and what that means for our client activity than our energy exposure.

So, I think we're going to continue to manage it tightly. We're trying to reduce it where we can. We've brought it down $1 billion dollars quarter-over-quarter. We continue to hedge as appropriate. We have seen the weakness. We would expect that would continue a bit, but, again, we're going to continue to manage it tightly.

Guy Moszkowski - Autonomous Research US LP

Okay. Thanks very much.

Operator

Thank you. Our next question comes from the line of Brennan Hawken with UBS. Your line is open.

Brennan McHugh Hawken - UBS Securities LLC

Good morning, guys. Thanks for taking the question. A quick follow-up, Jon, the comment on maintaining the previous $4.2 billion revenue footprint. You gave some helpful color there on the difficult environment and how you view the results, but maybe can you help us frame how to think about physical commodities going away? You've indicated how that reduces the seasonality of FIC, but is there a way to sort of frame out how much of that revenue left with the sale closing, so we can think about the right jumping-off point?

And then, to follow up on the comments about the revenue environment adjustments versus – and cutting costs further, has the improvement in March and April been enough for you to say that maybe you don't need to relook, or does that commentary include the improvement in March and April?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Okay. So, I would say a few things. One, we are – the revenue target or – is a goal, the run rate in the first quarter is slightly below that level. I think the fact that we no longer have the physical oil business should reduce the seasonality that we saw in this business, clearly, but also many of the changes that we've made are going to try to hopefully improve the consistency of this business. So, we would expect more quarters to look similar than the volatility that we've seen in the past, is the first comment.

Secondly, I do think that we obviously saw a pickup in March and the signs of early April. We think we can improve our results. They are still below sort of what we've seen historically, run rate, in some of our stronger product areas. And we expect to improve our revenue results from this quarter. So, again, this is one quarter's results. This quarter is a decent starting point, because we didn't have the physical oil business in it, but we obviously had a difficult macro backdrop. But these numbers are probably more reflective of the opportunity going forward than the first quarter of 2015. And this is a multi-year process; we're not going to see all of the changes in just one quarter.

James Patrick Gorman - Chairman & Chief Executive Officer

I'd just add a couple of points to that. Firstly, as it relates to commodities, a lot of focus on the revenue delta year-over-year, which I understand there was a cold snap last January that obviously flatted the commodities numbers there. And, obviously, not having the business had a reasonably material impact on the revenues, but the broader picture is strategically what we're trying to do. There is a reason that one of the regulators determined that we had a credible plan and the other found only one deficiency; and part of it is because we have simplified our business model.

There's a reason that we're confident about Project Streamline, and part of it is because we have fewer businesses, less infrastructure, less legal entities; and what we did with commodities and then selling the physical oil business, all gets at that simplification. It reduces RWAs, it reduces capital, it reduces risk, audit, compliance, legal, finance, oversight of that part of the business, and it's all about simplifying Morgan Stanley and making it a better understandable business from a regulatory perspective and from an investor perspective. Nothing that happened in the first quarter changes that view.

On the expense side, yeah, we've been grinding away at our non-comp expenses for a while. We've had some major headwinds with legal expenses, both with litigation and with the cost of lawyers in defending these various claims. We're clearly making progress on that. We have been focused, as Jon used the word maniacally, I think that's fair on our non-comp expenses. That is completely separate from Project Streamline.

Project Streamline is a major firm-wide initiative to figure out the most efficient way to run our infrastructure with the most efficient footprint. So, those two things will go unabated irrespective of whether the second quarter is strong or weak, whether first quarter was strong or weak. They are things which we have clearly on plan. We need to get the ROE of this business up, and one of the ways we're going to do that is being much more efficient in our expense management.

Brennan McHugh Hawken - UBS Securities LLC

Excellent. Thanks for all that color. And then, thinking about the loan book here, you all saw NII grow faster than loans here this quarter in Wealth Management. And so, it's right to think about the pickup in LIBOR probably benefiting the PLA portion of that loan book, right? Just the mechanics of that are the right way – just want to verify that the mechanics of that are the right way to think about it.

And then, thinking about the provision side of things, on the institutional side, just in the HFI piece, I think, provision was up around 200% versus last quarter. So that's just on HFI, not that 40% you were talking about before, right, Jon? And how should we think about that in a world where oil stays at about $30 a barrel?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Okay. Let's do loans first. As we've said in the past, we're excited about the bank strategy, what we call our deposit deployment strategy, taking our lower yielding cost – lower yielding securities and converting them into loans. We've seen good progress. You mentioned LIBOR, I think we're more sensitive to the Fed funds rate. We've seen a little bit of pick-up, obviously, given what happened in December. But I think the real growth in NII for us within the Wealth Management business is going to come from the fact that we expect the average earning assets to grow probably by – in the bank to grow probably by $10 billion to $15 billion this year.

You saw some of the balances in the wealth business; it was up dramatically over last year's period. So, the key driver to NII growth in the bank, which a good portion of that flows through Wealth Management, is we're going to have more average earning assets grow, yielding somewhere in this 2% range. So that's the driver to that and I would pay closer attention to Fed funds into LIBOR. And the second question was...

Brennan McHugh Hawken - UBS Securities LLC

The provision for the held to investment.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Oh, provision. So, the $127 million provision is for the totality of the firm. Some of that, as I said, the predominance was towards our energy portfolio. A small piece of that goes against our Wealth Management business, and then for our unfunded commitments, it's actually part of the expense line. But that $127 million was for the total firm, not just for ISG and energy.

Brennan McHugh Hawken - UBS Securities LLC

Yeah, sorry. I was talking actually about the ISG piece. I think you say in the footnote that it's $108.7 million this quarter versus $37 million, that was...

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Yeah, no, that's right. And, again, the vast majority of that is to the energy portfolio.

Brennan McHugh Hawken - UBS Securities LLC

Okay. And any color if oil stays low? Outlook?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Nothing different than what we've said in the past. We're very focused on it. We clearly would expect continued weakness and we're monitoring it very closely.

Brennan McHugh Hawken - UBS Securities LLC

Okay. Thanks for the color.

Operator

Thank you. Our next question comes from the line of Mike Mayo with CLSA. Your line is open.

Mike Mayo - CLSA Americas LLC

Hi, the new CEO letter talks about progress with the business mix, banking equities and other areas, but the ROE, as you pointed out, was only 6% in the first quarter. And the ROE has been below the cost of capital for the last decade. And the market further expects you to miss your 2017 ROE target of 9% based on consensus earnings forecast. I might add based on a stock price below tangible book value. So the question is, do you think that you can still meet your 2017 ROE target of 9% and why?

And from my standpoint, there's three big levers. One would be expenses, which you've highlighted and you said (47:00) you could take more actions. Two would be markets getting better and you see early signs. But the third lever would be capital returns. And so, how soon can investors see some of that freed-up FIC capital? You had 5% annualized buybacks this quarter, which is decent, but you also mentioned on the call now that you can reduce the impact of businesses with high stress losses. What are those businesses, can you get rid of them and how big are those?

James Patrick Gorman - Chairman & Chief Executive Officer

Good morning, Mike. Nice to hear from you again. As you have, I think, pretty consistently been asking this management team to put a timeframe on our ROE goals and we did it in January. So in April, we're unlikely to back off of those goals, as I said, I think, to the first question, which might have been from Mike Carrier, I think, when he asked about it. We stand by those goals. But, as I said, and they weren't caveats, they were just reality, they implied that we hit our expense targets on a flat revenue environment, that our total revenues grew somewhere between 3% and 5%, and that we did the right thing around right-sizing our fixed income business and freeing up the right capital.

As I think you said, we feel pretty good, honestly, about the expense targets. We made some really good progress against non-comp expenses and maintained comp discipline before we really got into the meat of Project Streamline. So, I'd put a check against sort of early indicator on that one. On the revenue growth, clearly, we didn't have revenue growth. So that would be a negative at this point, one quarter into the program. But, clearly, things brighten up a little bit towards the end of the quarter.

Not going to get into the business of trying to predict stuff, but we would be surprised and, probably, you would be and most of the people on this call if this environment stayed as is for the next two years. And hopefully, I was very clear that if it does, we will continue to take significant action. We're not going to stand and just watch it. And on the capital plan, we've just put in our CCAR submission. We had the G-SIB buffer coming in the next year's capital plan. Our CET1 fully phased in ratio, I think, is 14.5%, 14.6%. Our supplemental leverage ratio was 6%. A couple of years ago, the supplemental leverage was 4.2%. I think our CET1 fully phased in is probably in the top 2 or top 3 of the global 15 or 17 banks. So we feel pretty very good about our capital ratios.

What we need to understand is how we come through CCAR. The stability of the scenario, obviously, changes every year depending upon economic conditions like interest rates and market shocks and the like. And as we see how the CCAR deals with certain parts of our business and the stress losses that are implied by that, we will adjust those businesses as necessary. It's too early to lay out what that might be, because we haven't seen the results of it yet. But my main message to you and to our shareholders is that when we put out the 9% to 11%, again, subject to the revenue growth I talked about, which was modest, but was real, certainly, not subject to negative revenue growth. We did it with a pretty well thought through plan that's been building.

And I'm the first to acknowledge that we haven't hit our cost of capital for the last several years. I think, without being defensive about it, it's fair to say I'm not sure very many banks have. And I'm not sure that the denominator of what you're required to holding capital has been a standing ball, in fact, it's been a bouncing ball, but it's gone up every year. So, listen, we're making steady progress, we're committed to our goals, we'll continue pushing on expenses, we'll do what we can to free up excess capital, and we believe the environment is likely to improve from where we saw the bottoms of the first quarter. More than that, I think, it's too early to predict.

Mike Mayo - CLSA Americas LLC

All right. Thank you.

James Patrick Gorman - Chairman & Chief Executive Officer

Sure.

Operator

Thank you. Our next question comes from the line of Glenn Schorr with Evercore ISI. Your line is open.

Glenn Paul Schorr - Evercore ISI

Thank you. On the reallocation of capital, I'm curious on what brought that on, your own doing or conversations with the regulators? And then, focusing specifically on Wealth Management, to go from a 19% down to a 13%, I'm curious on how much growth is built into that, given that you're reallocating once a year, meaning your loans grew 30% and deposits are growing significantly. How much growth is built in there? Because I'm assuming you feel like Wealth Management should be better than a 13% ROE business.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

So, on your first question, in terms of, as you know, since taking over, I've been talking about – we look at multiple lenses of capital. So we've been analyzing and looking at our businesses under multiple frames for a while. As you notice from my prepared remarks and James' prepared remarks, we always keep referencing now fully phased in.

It seems like the market is not interested in what the actual transitional ratios are and they're more focused on fully phased in. And so, at the end of the year, we thought it was the right time as we start 2016 from a disclosure standpoint to put in the fully phased in ratio numbers.

In terms of the second question, I actually – my supplement doesn't have it. Can I just – I'm looking for the page. There we go. My supplement is missing page 12, Glenn. Here we you go. So in the first quarter of 2015, you saw the 19% Wealth Management ratio, I think the better comparison, the change in any capital allocation, if you look at the middle two columns, the business went from 14% to 12%. You saw that the revenues were slightly off this quarter and so we – the PBG was down. Part of our Wealth Management business, as you properly point out, is a lending business, and so when we move to the fully phased in ratios, we allocated more capital to that business, as it continues to grow in that high quality lending book.

The ROE for this quarter was slightly improved to 13%. We think that business can be better than the 13% ratio that we're showing, particularly, if we see some better signs in the transactional and the transactional activity. So we think we can build from 13%, but this business does require capital given our lending focus.

Glenn Paul Schorr - Evercore ISI

Understood. And then, I forget, I'm not sure you broke out the actual, either accrual reversals or marks in Investment Management for the private equity and real estate funds, but just curious what you could tell us about the book and if all the prior accruals have been now reversed out?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

No, I didn't comment on that. So the investments line, which, as we've talked about in the past, has been lumpy, and it's really a function of the overall investment environment. That line represents not only the performance-based fees that we receive, but also reflects our investments in these funds. That number over the last 24, 25 quarters has really averaged about a little over $100 million a quarter. It's been negative less than a handful of times. This quarter, it was negative. It was negative 64 million. About a third – little less than a third of that, Glenn, was from reversal of carry. The rest was from investment markdowns.

And then, in terms of what we have left, as we've said in prior quarters, we have written a significant portion of our carry related to our Asia funds down at this point. But, going forward, we still have carry, really mostly in our infrastructure and real estate funds, and we'll disclose the cumulative amount of that carry in our quarter – excuse me – in our Q, and you'll see that it has gone down this quarter.

Glenn Paul Schorr - Evercore ISI

Okay. Thanks very much, Jon.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Yeah. Thanks, Glenn.

Operator

Thank you. Our next question comes from the line of Steven Chubak with Nomura. Your line is open.

Steven J. Chubak - Nomura Securities International, Inc.

Hi, good morning.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Good morning.

Steven J. Chubak - Nomura Securities International, Inc.

So wanted to dig in, Jon, into the capital allocation disclosure for a moment. And one of the questions we're getting quite a bit is how we should reconcile the revised fully phased in capital allocations that you have with essentially a CCAR required or spot required capital target; potentially, the minimum level of capital you'll need for CCAR to get through the test unscathed while also supporting higher payouts.

And the back-of-the envelope math suggests that, when we exclude the unallocated portion and goodwill and intangibles, you're allocating $52 billion across your businesses and as a percentage of risk-weighted assets, it's about a 13% target, so a little bit higher than what we were contemplating previously. And I just wanted to get a sense as to whether 13% core Tier 1 is a reasonable long-term target based on the current mix? And should we expect this to come down or how should we expect it to traject as FIC mitigation efforts take hold?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

So, I think I followed your math. I don't think that 13% number, that's not – I wouldn't make that conclusion. As James mentioned, CCAR is the binding constraint to capital return. Our capital allocation model is not a proxy, if you will, for the CCAR model, because the model, as James said, or the infrastructure is changing and the variables change year-over-year. But we will continue to manage our capital efficiency and see if we can take more capital out of the businesses and return it to shareholders.

What our absolute level of – our spot capital ratios won't be the ultimate determinant of how much capital we can return, but, actually, the Fed's stress test in their severely adverse case will be the driving force about how much capital we can return. And that number is going to change as the test evolves.

Steven J. Chubak - Nomura Securities International, Inc.

Okay. So, how much capital you need under CCAR is not explicitly contemplated, then, under these revised capital allocations that you've disclosed?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Correct.

Steven J. Chubak - Nomura Securities International, Inc.

Okay. Got it. Thank you for clarifying that. And just one more question. As it relates to your G-SIB scores, clearly you've made significant progress in reducing your RWAs. And some of your peers have noted they've moved into lower buckets. And I was wondering whether you could disclose where you believe your surcharges stand today under both method 1 and method 2?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

I think what we've said is that the G-SIB buffer for this year for us is 3%.

Steven J. Chubak - Nomura Securities International, Inc.

And do you see room for you to move into a lower bucket, just given some of the actions that you're taking on the FIC side?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

I think – we obviously monitor that very closely, and if there's an opportunity to move to a lower bucket, we will clearly be focused on trying to do that, and what the trade-offs are between revenues and profitability; but we clearly monitor that. But, at this point, we're in the 3% bucket.

Steven J. Chubak - Nomura Securities International, Inc.

That's it for me. Thanks for taking my questions.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Thank you very much.

Operator

Thank you. Our next comes from the line of Fiona Swaffield with RBC. Your line is open.

Fiona M. Swaffield - RBC Europe Ltd. (Broker)

Hi. Thanks for taking my questions. I had two questions. One was there was a recent Basel paper on revisions to the Basel III leverage framework. But I think in the past you've talked about the standardized counterparty credit risk impact. I wondered if you had any comments on whether that paper would make a big difference to your SLR. And the second issue is just on fixed income. You mentioned $132 billion, I think, of RWAs, so you're making significant progress. Do you think it's likely you could reach the $120 billion earlier than 2017? Is it that you're having success in the runoff of legacy assets? Thanks.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Sure. So I think the first question relates to the SACR (1:00:00) proposal. To be honest, I have reviewed it. I haven't spent a lot of time on it. And the first read is it could be beneficial to SLR ratio, but I don't think we have a quantification of that just yet. And then, on the second question, which was – I'm sorry, Fiona, one more time?

Fiona M. Swaffield - RBC Europe Ltd. (Broker)

It was on the fixed income RWAs. I think you mentioned $132 billion.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Oh, yeah, listen, yeah, we continue to make progress. We're very focused on it. The goals we laid out were for 2017 and beyond. If we can get there quicker, we will. But also recognize that that number might bounce around a bit based on client activity, but we're pretty happy with the progress we've made.

Fiona M. Swaffield - RBC Europe Ltd. (Broker)

Okay. Thank you.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Thank you.

Operator

Thank you. Our next question comes from Christian Bolu with Credit Suisse. Your line is open.

Christian Bolu - Credit Suisse Securities (USA) LLC (Broker)

Good morning and thanks for squeezing me in. So a couple of clean up (1:00:54) questions in the Wealth Management business. I guess commissions were down 18% year-over-year, you mentioned reduced retail risk appetite. Just curious if the Department of Labor rule had any impact on advisor behavior that affected that number. And then, secondly, just longer term, if you're moving towards fee-based assets, just curious how that squares with your comment that you expect commissions to bounce back over time.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

On the first I would say, no. And on the second, I think the migration to managed accounts will have an impact on the transactional accounts, but these levels are really beyond the shift from transactional to managed money. So I think we can see a rebound from where we are today.

Christian Bolu - Credit Suisse Securities (USA) LLC (Broker)

Okay. Fair. And then, on the comp ratio in GWM, you called out fair value and deferred comp in the release having an impact on the comp ratio; would be helpful if you could quantify that for us, just so we have a good jump-off point for next quarter.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

We'll look at it for future disclosures, but we don't disclose that number.

Christian Bolu - Credit Suisse Securities (USA) LLC (Broker)

Okay. And just lastly, more of a bigger picture question. I guess really nice margin expansion in Wealth Management, but organic growth just remains poor or weak, whether measured by fee-based flows or financial advisor head count. I'm just curious if you think organic growth is necessary for the long-term health of this business?

James Patrick Gorman - Chairman & Chief Executive Officer

Why don't I give Jon a break for a minute? And, by the way, we have extended this call for about – we're going to extend it about ten minutes past the time. We're trying to give everybody a chance to get their questions in, so we'll be brief. As long as there is inflation of financial assets and as long as there is population growth, and as long as the business model remains relevant to wealthy investors, that business will continue to grow; in addition to the fact, obviously, we're putting more product through the pipeline by putting more banking and lending products through. So, yes.

Christian Bolu - Credit Suisse Securities (USA) LLC (Broker)

Great. Thank you for squeezing me in.

James Patrick Gorman - Chairman & Chief Executive Officer

Sure.

Operator

Thank you. Our next question comes from Eric Wasserstrom with Guggenheim. Your line is open.

Eric Wasserstrom - Guggenheim Securities LLC

Great. Thanks very much for taking my question. I just want to understand, specifically within FIC as it relates to your broader guidance, would the business have been profitable at the current run rate of revenues given the expense reduction? And at the projected level of capital extraction, would it achieve the 9% to 11% ROE targets?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Again, the ROE targets are for the firm – for all of our capital and, as we've mentioned in the past, we are clearly trying to drive improved profitability in that business by maintaining the revenues, reducing the capital and reducing the costs.

Eric Wasserstrom - Guggenheim Securities LLC

But in terms of sort of the level of run rate revenues to achieve profitability, was that accomplished?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

We laid out a plan just this past January that said we were going to try to maintain the revenue footprint that we've seen in the past, reduce the capital intensity and reduce the costs. So we're looking to improve the velocity and the consistency of those results.

Eric Wasserstrom - Guggenheim Securities LLC

Thanks very much.

Operator

Thank you. Our next question comes from Matt Burnell with Wells Fargo Securities. Your line is open.

Matthew Hart Burnell - Wells Fargo Securities LLC

Good morning, thanks for taking my question. First, a quick one. Jon, at what point this quarter, if at all, did you all think about utilizing the de minimis exception to potentially increase your buybacks this quarter since they've been pretty steady at the $625 million level over the course of this current CCAR cycle?

James Patrick Gorman - Chairman & Chief Executive Officer

We didn't. We chose not to exercise it, because we're more focused on the annual CCAR cycle. The first time we exercised it was the first time we put our toe in the water to do a capital buyback several years ago. Obviously, we reserve the right at any point in the future, but this time we were focused on getting the CCAR plan in.

Matthew Hart Burnell - Wells Fargo Securities LLC

Okay, makes sense. And then, secondarily, quickly, in terms of the somewhat lower revenue run rate in terms of the – within Wealth Management for the revenues per FA, those have been running at around

$920 million a quarter. If that level stays and you don't really get much of a bounce back, does that imply much meaningful reduction in terms of head count in that business as well?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Again, that's just a function of sort of the client assets are down given the volatility in the market. The number of FAs is pretty stable. We've been investing in that business and recruiting. We would like to continue to keep that business at roughly that size, and that's just a numerator-denominator dynamic.

Matthew Hart Burnell - Wells Fargo Securities LLC

Okay. Thanks for taking my questions.

Operator

Thank you. Our next question comes from the line of Jim Mitchell with Buckingham Research. Your line is open.

James F. Mitchell - The Buckingham Research Group, Inc.

Hey. Good morning. Jon, maybe just a quick follow-up on energy, can you give us the details on what's funded, unfunded, what's non-investment grade or anything else? I think last quarter you also discussed what the E&P exposure was, can you give us some of those more details?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

I'll try to do this very quickly in the interest of time. So, the $14.8 billion in total funded and unfunded, the numbers haven't changed dramatically, 60% investment grade, about 30% drawn, E&P, same thing, about $4.1 billion, about $1.8 billion drawn. Mostly – virtually all to non-investment grade, and then the $2.3 billion of undrawn is predominantly to investment grade.

James F. Mitchell - The Buckingham Research Group, Inc.

Okay. That's all I have got. Thanks.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Great. Thank you.

Operator

Thank you. Our last question comes from the line of Kian Abouhossein with JPMorgan. Your line is open.

Kian Abouhossein - JPMorgan Securities Plc

Quick question on the cost side. Your comp level in the IB has been quite well managed, year-on-year down 32%. Just wondering if you could discuss a little bit how it relates to the sale of the business, deferred reduction exit or comp reduction – real comp reduction and the streamlining business or streamlining operation. Just trying to understand better how we should think about the run rate of the cost line with this Streamline Project coming on.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Again, I think we made nice progress here early. The Streamline initiatives are really sort of towards the back-end of this year and next year, because they're more structural and fundamental in nature. That's how I'd try to address that.

Kian Abouhossein - JPMorgan Securities Plc

So it's all related to the commodity exit part then?

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

No, no. I'm sorry. No. It's definitely not related to the commodity. This is broad-based savings across the businesses and this initiative is firm-wide.

Kian Abouhossein - JPMorgan Securities Plc

Okay. Thanks.

Jonathan Pruzan - Chief Financial Officer & Executive Vice President

Thank you very much.

Kathleen McCabe - Head-Investor Relations

With that, I think we will wrap up our call. Thank you, everyone, for dialing in and we look forward to speaking with you again next quarter. Thank you.