

# Morgan Stanley (MS US)

## FUNDAMENTAL VIEW <sup>1</sup>

As of 25 Mar 2024

- We view Morgan Stanley's credit profile positively, supported by high capital levels, diversification in revenues and continued progress on building out wealth/asset management both organically and through acquisition. Capital markets revenues have been impacted by challenging conditions particularly for investment banking, but profitability has remained solid, helped by the revenue shift to Wealth.
- Morgan Stanley (A1/A-/A+) was upgraded to A2 at Moody's following the E\*Trade deal closing and shortly thereafter was upgraded again to A1 on reduced risk of loss from the capital markets business. The S&P rating was upgraded to A- in May 2022.

## RISKS & CATALYSTS

As of 25 Mar 2024

- Ted Pick took over as CEO in 2024. The runner-up candidates for the job are staying with the company and Gorman is remaining as Executive Chairman, and we don't expect major strategic changes.
- Much of Morgan Stanley's core business is tied to global macroeconomic trends and investor risk appetite. Additionally, it has significant trading risk and counterparty exposures, though such risk appears well-managed overall and is reflected in capital requirements.
- Capital levels are governed by the annual DFAST process and the SCB regime. MS has typically run with capital levels at or near the highest among GSIBs given the trading losses included in the Fed's model.

## CREDIT QUALITY SCORE (CQS) <sup>2</sup>

As of 08 Apr 2024

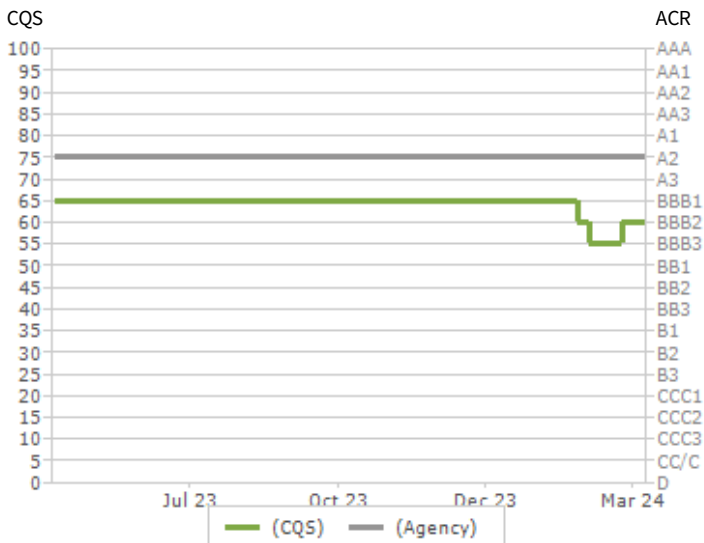
### CURRENT CQS

60

### CQS OUTLOOK <sup>3</sup>

NEGATIVE STABLE POSITIVE

### HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) <sup>4</sup> VS CQS



## KEY METRICS

As of 25 Mar 2024

\$ MN	FY19	FY20	FY21	FY22	4Q23
ROAE (annual)	11.1%	12.4%	14.3%	10.8%	9.1%
ROAA (annual)	1.0%	1.0%	1.3%	0.9%	0.8%
PPNR / Avg. Assets	1.27%	1.40%	1.64%	1.22%	1.04%
Efficiency Ratio	72%	69%	66%	72%	76%
Net charge-offs (LTM) / Loans	0.01%	0.05%	0.05%	0.01%	0.06%
Common Dividend Payout	23.9%	20.9%	25.4%	46.3%	59.3%
CET1 Ratio	16.4%	17.4%	16.1%	15.3%	15.2%
Supplementary Leverage Ratio (SLR)	6.4%	7.4%	5.6%	5.5%	5.5%
Liquidity Coverage Ratio (LCR)	134%	129%	134%	132%	129%

## BUSINESS DESCRIPTION

As of 25 Mar 2024

- The company is now the sixth largest bank holding company by assets in the U.S. with \$1.2 tn of assets as of 4Q23, and is the fourth largest by market capitalization (\$144.5 bn as of Mar 18, 2024).
- Morgan Stanley maintains "significant market positions in each of its business segments," which include Institutional Securities, Wealth Management, and Investment Management.

## GLOSSARY

<sup>1</sup> The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

<sup>2</sup> The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

<sup>3</sup> The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

<sup>4</sup> The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

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