

Morgan Stanley (MS US)

FUNDAMENTAL VIEW ¹

As of 24 Jun 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 by Moody's to A1 on reduced risk of loss from the capital markets business in 2021. The S&P rating was upgraded to A- in May 2022.

RISKS & CATALYSTS

As of 24 Jun 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)²

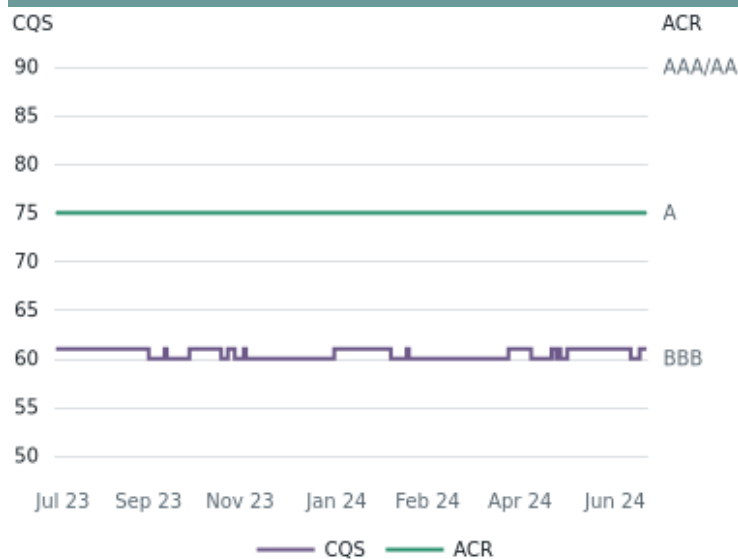
As of 21 Jun 2024

CURRENT CQS

61

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS

KEY METRICS

As of 24 Jun 2024

\$ MN	FY20	FY21	FY22	FY23	1Q24
ROAE (annual)	12.4%	14.3%	10.8%	9.1%	9.5%
ROAA (annual)	1.0%	1.3%	0.9%	0.8%	0.8%
PPNR / Avg. Assets	1.40%	1.64%	1.22%	4.41%	1.05%
Efficiency Ratio	69%	66%	72%	298%	76%
Net charge-offs (LTM) / Loans	0.05%	0.05%	0.01%	0.06%	0.04%
Common Dividend Payout	20.9%	25.4%	46.3%	215.5%	57.5%
CET1 Ratio	17.4%	16.1%	15.3%	15.2%	15.0%
Supplementary Leverage Ratio (SLR)	7.4%	5.6%	5.5%	5.5%	5.4%
Liquidity Coverage Ratio (LCR)	129%	134%	132%	129%	129%

BUSINESS DESCRIPTION

As of 24 Jun 2024

- The company is now the sixth largest bank holding company by assets in the U.S. with \$1.23 tn of assets as of 1Q24, and is the fourth largest by market capitalization (\$162.8 bn as of May 16, 2024).
- Morgan Stanley maintains "significant market positions in each of its business segments," which include Institutional Securities, Wealth Management, and Investment Management.

GLOSSARY

¹ 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.

² 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.

³ 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.

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

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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