

Morgan Stanley (MS US)

FUNDAMENTAL VIEW ¹

As of 26 Aug 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 were impacted by challenging conditions in 2022-23, but have rebounded nicely thus far in 2024. Wealth Management revenue growth has slowed compared to previous years but remains a solidly profitable and growing business for MS, providing stable and diversified revenues.
- 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 26 Aug 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.

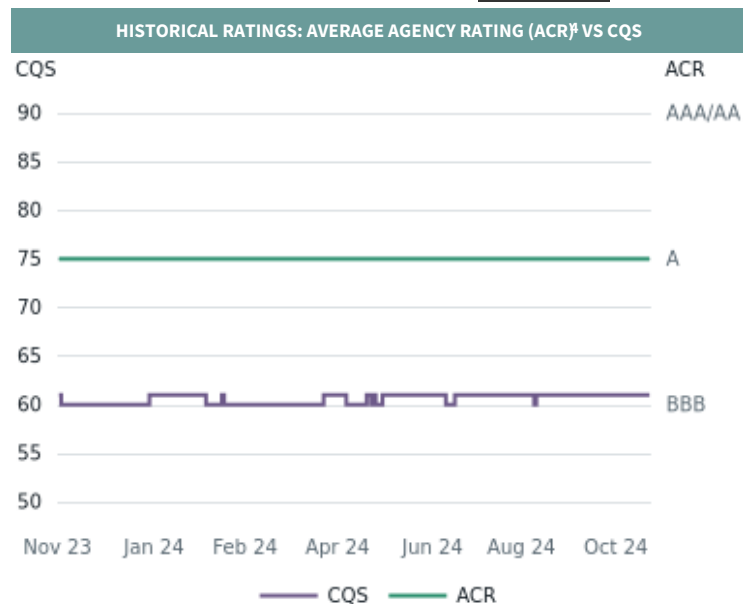
CREDIT QUALITY SCORE (CQS)²

As of 16 Oct 2024

CURRENT CQS

61 NEGATIVE STABLE POSITIVE

CQS OUTLOOK ³



KEY METRICS

As of 26 Aug 2024

\$ MN	FY20	FY21	FY22	FY23	2Q24
ROAE (annual)	12.4%	14.3%	10.8%	9.1%	10.5%
ROAA (annual)	1.0%	1.3%	0.9%	0.8%	0.9%
PPNR / Avg. Assets	1.40%	1.64%	1.22%	4.41%	1.15%
Efficiency Ratio	69%	66%	72%	298%	74%
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%	53.4%
CET1 Ratio	17.4%	16.1%	15.3%	15.2%	15.2%
Supplementary Leverage Ratio (SLR)	7.4%	5.6%	5.5%	5.5%	5.5%
Liquidity Coverage Ratio (LCR)	129%	134%	132%	129%	131%

BUSINESS DESCRIPTION

As of 26 Aug 2024

- The company is now the sixth largest bank holding company by assets in the U.S. with \$1.21 tn of assets as of 2Q24, and is the fifth largest by market capitalization (\$150.4 bn as of Aug 7, 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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