

Morgan Stanley (MS US)

FUNDAMENTAL VIEW ¹

As of 30 Dec 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.
- Morgan Stanley's capital markets businesses have rebounded as capital markets conditions improved in 2024, and should continue to benefit from market conditions in 2025. Wealth Management also saw some slowdown in growth in 2023 but appears back on track as market conditions improved.

RISKS & CATALYSTS

As of 18 Dec 2024

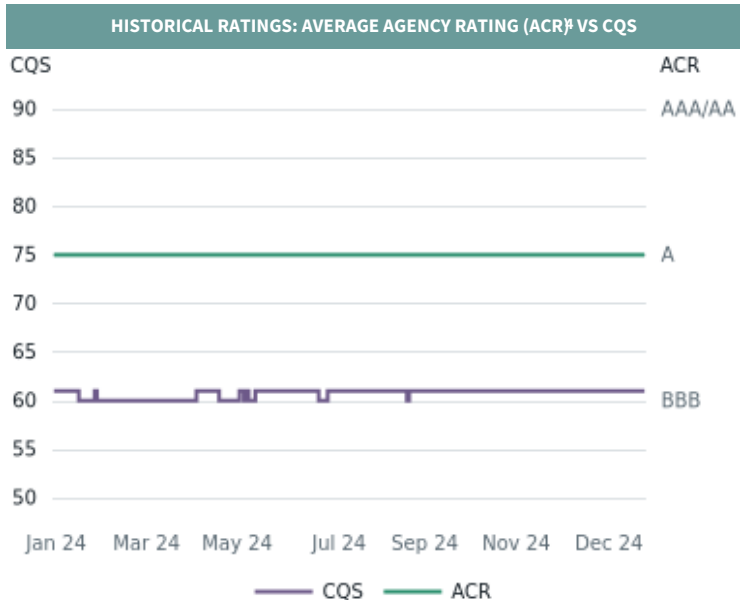
- Ted Pick took over as CEO in 2024, and MS was able to retain other key managers under consideration for the role; we see no clear changes in strategy as a result of the handover.
- Much of Morgan Stanley's core business is tied to global macroeconomic trends and investor risk appetite. Additionally, it has significant trading risk and counterparty exposures, though such risk appears well-managed overall and is reflected in capital requirements which are governed by the annual DFAST and 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.
- Rapid growth in the Wealth business in recent years at MS has had some publicized missteps in vetting clients; there remains a possibility of regulatory action, though we wouldn't expect anything that alters the long-term strategy for the Wealth business.

CREDIT QUALITY SCORE (CQS)²

As of 31 Dec 2024

CURRENT CQS

CQS OUTLOOK ³



KEY METRICS

As of 18 Dec 2024

\$ MN	FY20	FY21	FY22	FY23	3Q24
ROAE (annual)	12.4%	14.3%	10.8%	9.1%	11.2%
ROAA (annual)	1.0%	1.3%	0.9%	0.8%	0.9%
PPNR / Avg. Assets	1.40%	1.64%	1.22%	4.41%	1.20%
Efficiency Ratio	69%	66%	72%	298%	73%
Net charge-offs (LTM) / Loans	0.05%	0.05%	0.01%	0.06%	0.06%
Common Dividend Payout	20.9%	25.4%	46.3%	215.5%	50.5%
CET1 Ratio	17.4%	16.1%	15.3%	15.2%	15.1%
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 18 Dec 2024

- The company is now the sixth largest bank holding company by assets in the U.S. with \$1.26 tn of assets as of 3Q24, and is the fourth largest by market capitalization (\$216.9 bn as of Nov 21, 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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