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MORGAN STANLEY FY 2025

Earnings Report Update

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Company Overview

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, wealth management and investment management services. With offices in 42 countries, the firm serves clients worldwide including corporations, governments, institutions and individuals.

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Ted Pick, Chairman and Chief Executive Officer, said, “Morgan Stanley delivered outstanding performance in 2025. The Firm produced full-year revenue of \$70.6 billion, EPS of \$10.21 and a ROTCE of 21.6%. Our performance reflects multi-year investments which have contributed to growth and momentum across the integrated firm.”

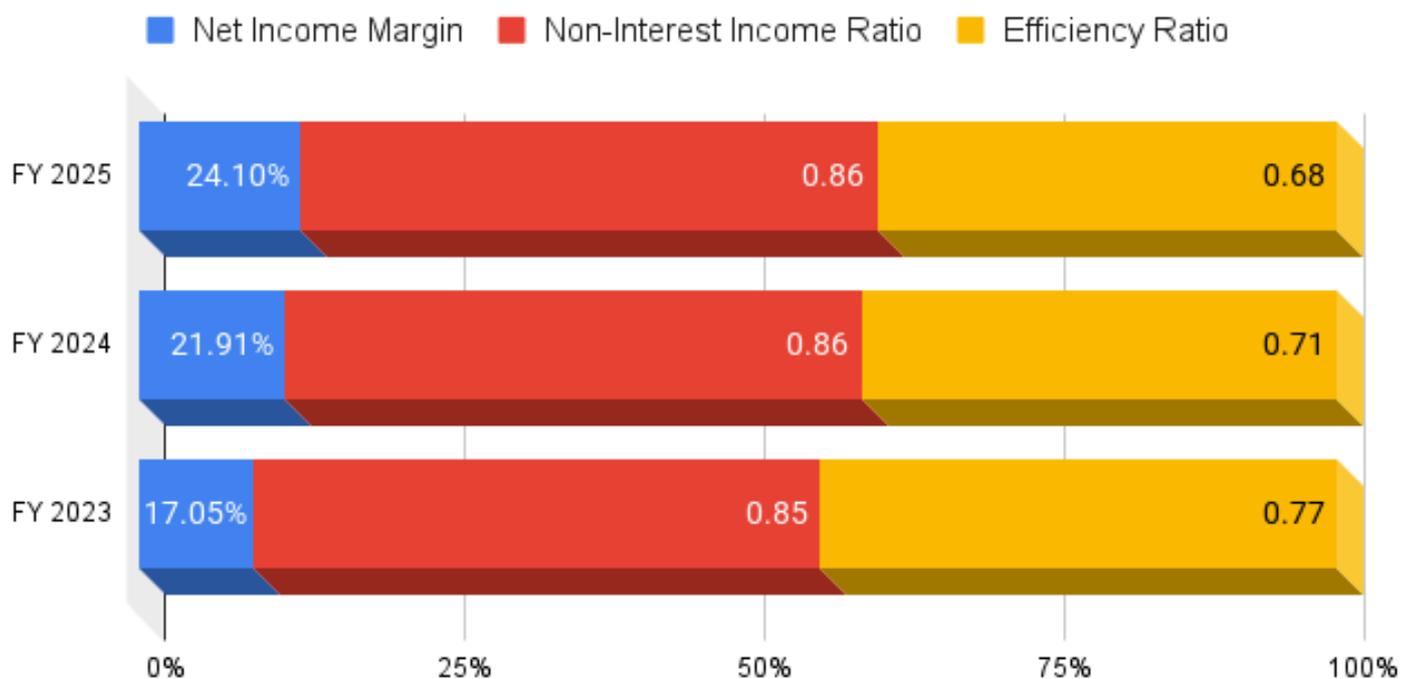
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CEO's Commentary

Expectation Analysis

USD (\$)	Q4 2025	ESTIMATE	BEAT/MISS
REVENUE	17.90B	17.80B	0.80%
EBIT	5.78B	5.05B	13.80%
EPS (adjusted)	2.68	2.42	10.60%

Margin and Efficiency Analysis



Revenue/Profitability Summary				
Billion USD(\$), except NI per share	FY 2025	Q4 2025	YOY	
Net Revenue	70.65	17.89	14.38%	
Non-Interest Revenue	60.60	15.04	14.02%	
Net Interest Income	10.05	2.86	16.66%	
Income Before Tax	21.95	5.76	24.77%	
Net Income	17.03	4.42	25.84%	
Net Income Per Share	10.21	2.68	28.43%	
Cost/Expenses Summary				
Billion USD(\$)	FY 2025	Q4 2025	YOY	
Provision for credit losses	0.35	0.02	32.20%	
Non-Interest Expenses	48.34	12.11	10.12%	
Interest Expenses	59.06	14.95	9.10%	
Income Tax	4.93	1.34	21.19%	
Segment Performance				
Billion USD(\$)	FY 2025	% Revenue	QOQ	YOY
Institutional Securities	33.08	46.83%	-6.95%	17.81%
Wealth Management	31.75	44.95%	2.37%	11.73%
Investment Management	6.53	9.24%	4.18%	11.33%
Intersegment Eliminations	-0.71	-1.01%	3.26%	19.00%
Key Items of Financial Position Summary				
Billion USD(\$)	FY 2025	QOQ	YOY	
Total assets	1,420.27	4.06%	16.89%	
Loans	289.10	4.25%	17.13%	
Deposits	415.52	2.48%	10.51%	
Long-term debt outstanding	341.68	5.42%	20.18%	
Maturities of long-term debt outstanding	26.24	3.13%	19.67%	
Common equity	101.88	1.67%	7.51%	
Preferred equity	9.75	0.00%	0.00%	

Performance Highlights

- Morgan Stanley closed FY 2025 with record operating performance, underpinned by diversified earnings streams, disciplined expense management, and resilient client activity across its major franchises. While fixed income revenues moderated in the fourth quarter due to lower market volatility, the firm's underlying earnings power remained robust, reflecting effective execution, scale advantages, and sustained demand for advisory and wealth solutions.
- Revenue growth in both the quarter and full year was driven by a favorable mix of higher client balances, fee-based income expansion, and strong capital markets activity. Net interest income benefited from higher sweep deposits and lending balances in wealth management, while non-interest revenue was supported by asset management fees, advisory mandates, and trading activity, underscoring the firm's diversified earnings model.
- The Institutional Securities segment is a key driver of firmwide strength. Investment banking revenues surged 47% year-on-year in Q4, led by robust debt underwriting and advisory activity, while equity trading delivered record results on the back of prime brokerage financing and heightened client engagement. Fixed income revenues were softer, reflecting lower FX and commodities volatility, but remained stable overall, supported by lending businesses and securitized products.
- Wealth Management delivered one of the strongest performances in both Q4 and FY 2025. The segment reported record revenues of \$8.4 billion in the quarter and \$31.8 billion for the year, with margins expanding to 31.4% in Q4. Growth was driven by \$122 billion of net new assets in the quarter and \$356 billion for the year, alongside sustained fee-based flows. Advisor-led assets originating from workplace and E*TRADE relationships accelerated, reinforcing the firm's funnel strategy and positioning wealth as a durable anchor of profitability.
- Investment Management also contributed meaningfully, with revenues of \$1.7 billion in Q4 and \$6.5 billion for the year. Assets under management reached a record \$1.9 trillion, supported by \$34 billion of long-term net inflows. Growth in Parametric tax-efficient strategies and the expansion of alternatives underscored the segment's diversification and secular tailwinds.
- Firmwide expenses increased moderately, reflecting higher compensation linked to revenue growth and continued investment in technology, distribution, and advisor capabilities. Despite these pressures, the efficiency ratio improved to 68%, demonstrating operating leverage and disciplined cost prioritization.
- Credit performance remained sound, with provisions modest and largely tied to portfolio growth and a single commercial real estate charge. Conservative provisioning and disciplined risk management reinforced balance sheet resilience. Capital ratios remained strong, with a CET1 ratio of 15% and approximately 300 basis points of excess capital above regulatory minimums.

Concerns Raised

- The decline in commodities and foreign exchange trading during the fourth quarter highlights the sensitivity of Institutional Securities to market volatility. While equity trading and investment banking delivered strong results, a prolonged period of muted volatility or weaker client activity in fixed income could weigh on overall segment performance.
- Management's decision to transition hedges to derivative instruments and increase the cash component of advisor compensation is designed to reduce accounting-driven volatility. However, these changes will carry near-term costs and could temporarily impact margins.
- While wealth delivered record revenues and margins, management flagged aggressive competition in mortgage pricing and deposit repricing. If deposit costs rise faster than anticipated or lending spreads compress, net interest income could flatten or decline, limiting the ability to sustain margin expansion.
- While recent rate cuts have supported financing conditions and boosted advisory and underwriting activity, conflicting signals between central banks and uneven global monetary paths complicate balance sheet optimization. Divergent rate environments may pressure net interest income, alter deposit pricing dynamics, and introduce volatility into fixed income trading revenues.

OUR INSIGHT

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Morgan Stanley's FY 2025 results highlight a resilient earnings profile underpinned by diversified operations. While fixed income revenues softened year-on-year due to lower commodities and FX volatility, overall profitability remained robust, and strong fee-based inflows underscore a durable wealth management franchise. Consistent efficiency metrics reflect effective cost discipline amid ongoing investment in technology and advisor capabilities. Over the long term, the firm's scale, capital strength, and integrated franchise remain compelling, with trading conditions, compensation transitions, and interest rate policy representing key considerations for investors.

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