

Introduction and Overview.

Goldman Sachs (GS). Leading firm, within industry. Known, size, and reputation. Historically, carries, some high-beta's. Expected, given, market-centric, profile. Objectively, relative; to many, peers. Operates, within, an industry, driven by credit, and trading, activities. Senior executives, focus on; volatility. Viewing, Q1, FY26. (Goldman Sachs Group, Inc.) Some, credit-loss, provisions. Slightly higher, year over year. Calculations; suggest, \$315M. (Goldman Sachs Group, Inc.) A, 10% increase; reflects, pressure. (Goldman Sachs Group, Inc.) Observed, areas: private credit, and private financing. Some, institutional, investors, measure, by balance; corporate risk, and corporate lending. GS, balances, through; FX, transactions. Promotes, further, lending, and international interest. Internationally, attracts, earnings. Operating, and serving, as a global, FX trading platform. Driver, and response, mechanism. When liquidity is elevated; Responds through wholesale, funding. Secure: financing, and market-based. Liquidity, alongside; deposit. Few, concern; operational and compliance. Structurally, high, given, complex, trading, operations. Model-risk, dependent. Justification, and explanation; executive, oversight. Given, several complex, capital-markets, activities.

Competitors.

If compared, to peers, such as; JPMorgan (JPM). Both, appear, diversified, and anchored. If considering, retail and wholesale. Strategy, reduces, cyclicalities. JPM's interest-rate, risk, substantial. Larger, given, massive, deposit, base, and Net, risk index. JPM currently leads in managing; liquidity. Lowest, in the country. Results, of strong consumer, metrics. GS, most dominant, in operational and compliance. Leading, in overall, global scale.

Morgan Stanley. Most, comparable, to GS. Insulated, by large, wealth management, syndicates. Syndicates: Stabilize earnings, and reduce, market-risk, concentration. Resulting, in less, and more, secure, credit, exposure. Morgan Stanley, also, leads in managing; liquidity. Effectiveness, likely, reason; why, some may consider; less pressured. Market, risk; high. Plausible, explanations; derivatives, trading, and activities. While, also, maintaining, a moderate, Interest-rate. Some studies; suggest elevated, operational and compliance. If GS embraced, that approach, distribution, might need, to be considered, to maintain; operational strength.

Bank of America. Most dependent, profile. Dominant, consumer, activity. Leads, in consumer, credit, and interest-rate. Balanced, by deposit and securities, market. Long, duration, markets. Reflect, consumer, activity. However, market risk, significantly, smaller. GS outperforms, in managing; liquidity, given, its larger, and stable, deposit base. GS, also, leads, operational and compliance. Less, retail, dependence, results, less risk. Overall, Goldman Sachs (GS) remains; competitive. GS, studies, peers, further, for posture. JPMorgan, Morgan Stanley, and Bank of America. Each, offer, strategy. Provides possible; recommendations, for credit and response to macro-conditions.

Understanding Structure, and risks.

Comprehensive, view, asset base, balance-sheet, composition. Since: FY24, Goldman Sachs, (GS) managed; over a \$1.68 trillion, balance, sheet. (Goldman Sachs Group, Inc.) Unmistakable, market-making, identity. Trading assets, at even higher, values. Partnered, syndicates, and collateralized agreements, account for majority, of GS, asset base. Securities, roughly, 25%. (Goldman Sachs Group, Inc.) Delivers, controlling, share of market, interest. GS, profile, characteristics; wholesale, dealer, institution. Investment, securities, portfolio; grown, over, the years. Maturing, from 7.6%, assets-managed to 11.2%. (Goldman Sachs Group, Inc.) Reflects,

deliberate, shifts, toward, further, stability. Efforts, afford, reoccurring, income, streams.

Conversely, PP&E; mitigated, from 2.2% to 0.6%. (Goldman Sachs Group, Inc.) Notable, shifts, in, the consumer, markets. Cash, and equivalents; normalized, to 10.9%. (Goldman Sachs Group, Inc.) Liquidity, redeployed, into, higher-yield, instruments. Exchange, results, increased, capital, efficiency.

GS, leads, structural, transformation and funding. Some studies: Suggest, beyond; what some have seen, in decades. Driven, significantly, by deposit. Deposits grew, from 7.1% to 25.6%. (Goldman Sachs Group, Inc.) Balance sheets measured, substantial, increase. Justified, alter, between, fundamental, funding mix. Pioneering, interest-rates, normally, associated, with commercial, banks. Repeated, short duration, success, in wholesale, funding, capitalized, over the years. Affording, further, strategic, collateral. Strategic, finances, immediate return, average 18.2%. (Goldman Sachs Group, Inc.) Accompanying, 14.9% in reoccurring, returns. (Goldman Sachs Group, Inc.) While, only, 7.3% of total, asset, base. (Goldman Sachs Group, Inc.) Strong, leverage, reserve. Capital, ratio of 15.0%. (Goldman Sachs Group, Inc.) Well, above, regulatory, standard. Overall, effectively, postured, to withstand, most, stress, scenarios.

Revenue, model, structurally, cyclical. Driven, by capital, markets. Global, markets, contributed 40–51% of revenues. (Goldman Sachs Group, Inc.) Investment, banking, offers, additional, 13–24% to net. (Goldman Sachs Group, Inc.) Concentration, considers, outliers. Rate-hike, cycles. Impact; M&A, transactions. Asset managers, segment. Provides, the firm, strategic pivots. Delivering, reoccurring growth revenues at 17.6%. (Goldman Sachs Group, Inc.) Effectively, reducing, earnings, volatility. Some, vulnerabilities, in rare, scenarios. At most, three. Observed, in, concentration. Executives should be aware; of assets, in, mark-to-market, trading. Since, those account, for 40–46% of revenues, sourced, from capital, market, activity. (Goldman Sachs

Group, Inc.) Signs, to observe: Sustained, equity, in bear, markets, wide, credit, spreads, and prolonged, M&A, inactivity. If viewed, a plan, likely, follows. Although, unlikely, might, compress, earnings; within a year. (Financial Stability Board, 2023) If left, unaddressed. In that scenario, liquidity, and regulatory, actions, support. Continue, to leverage, and wholesale, funding. Pending, projections, estimated to increase, returns. Strengths: trading, and operational, categories; likely, increases, demand. Asset managers, offer, powerful, assist; in most scenarios. Durability, allows, close discount; relative to JPMorgan and Morgan Stanley. Combined, wealth-management-anchors, earnings, streams.

Common, Size Balance, Sheets.

THE GOLDMAN SACHS GROUP, INC. (GS) — CONSOLIDATED INCOME STATEMENT						
All figures in USD millions (except EPS and per-share items) Fiscal Year ending December 31 Source: GS Annual Reports / 10-K						
Line Item	FY2020	FY2021	FY2022	FY2023	FY2024	CAGR '20-'24
REVENUE						
Investment Banking Fees	\$9,100	\$14,136	\$7,360	\$6,218	\$7,738	-4.0%
FICC Net Revenues	\$10,162	\$14,959	\$13,709	\$13,397	\$13,341	7.0%
Equities Net Revenues	\$8,068	\$12,275	\$12,519	\$11,103	\$13,765	14.3%
Global Markets Net Revenues (FICC + Equities)	\$18,230	\$27,234	\$26,228	\$24,500	\$27,106	10.4%
Asset & Wealth Management Revenues	\$7,470	\$8,121	\$8,824	\$13,422	\$14,290	17.6%
Consumer & Platform Solutions Revenues	\$1,336	\$1,762	\$4,070	\$4,196	\$4,377	34.5%
Interest and Dividend Income	\$13,689	\$12,120	\$29,024	\$68,515	\$81,397	56.2%
Interest Expense	\$8,938	\$5,650	\$21,346	\$62,164	\$73,341	69.2%
Net Interest Income	\$4,751	\$6,470	\$7,678	\$6,351	\$8,056	14.1%
TOTAL NET REVENUES	\$44,560	\$59,339	\$47,365	\$46,254	\$53,511	4.7%
CREDIT & OPERATING EXPENSES						
Provision for Credit Losses	\$3,098	\$357	\$2,715	\$1,028	\$1,348	-18.8%
Net Revenues after Provision	\$41,462	\$58,982	\$44,650	\$45,226	\$52,163	5.9%
Compensation & Benefits	\$13,309	\$17,719	\$15,148	\$15,499	\$16,706	5.8%
Non-Compensation Expenses	\$10,197	\$11,424	\$12,537	\$13,524	\$14,292	8.8%
TOTAL OPERATING EXPENSES	\$23,506	\$29,143	\$27,685	\$29,023	\$30,998	7.2%
PROFITABILITY						
Pre-Tax Earnings	\$12,479	\$27,044	\$13,486	\$10,739	\$18,397	10.2%
Income Tax Expense	\$3,020	\$5,409	\$2,225	\$2,223	\$4,121	8.1%
Effective Tax Rate	24.2%	20.0%	16.5%	20.7%	22.4%	
NET EARNINGS	\$9,459	\$21,635	\$11,261	\$8,516	\$14,280	10.8%
Less: Preferred Dividends	\$569	\$519	\$550	\$660	\$801	8.9%
Net Earnings to Common Shareholders	\$8,890	\$21,116	\$10,711	\$7,856	\$13,479	11.0%
PER SHARE & RETURNS						
EPS (Diluted)	\$24.74	\$59.45	\$30.06	\$22.87	\$40.54	13.1%
Diluted Shares Outstanding (M)	360.0	355.5	358.0	346.0	334.0	
Return on Equity (ROE %)	11.2%	23.0%	10.1%	7.5%	12.7%	

Sources:

[1] Goldman Sachs 2024 Annual Report / 10-K

[3] Stock Analysis GS Income Statement

[GS 2024 Annual Report](#)

[StockAnalysis GS Financials](#)

Income, Gap, Analysis.

In structural, diagnosis, context. Goldman Sachs (GS) income, gap; relative to peers. Goldman Sachs (GS) JPMorgan (JPM) and Morgan Stanley (MS). All, rooted, on a return-on-equity, basis. The focus: revenue, concentration. Whereas, others, cost, based. The analysis: considers market pace; alongside peers. Leveraging, data, points, to determine when, and by how, much, certain concentrations, net. GS, experienced, lower, ROE; such as, FY23 at 7.5%. (Goldman Sachs Group, Inc.) JPMorgan's comparatively, 15–17% same, period. (Financial Stability Board, 2023) Offers, reflection. Dependence on capital, markets, cycles. Global markets and investment banking, account and drive, 55–65% of net revenues, in any, given, year. (Financial Stability Board, 2023) Markets, sometimes, appears, more, favorable to some; than others. The market, and firms, operate within similar, often; with similar resources. Competition, however, has no, structural, offset. Income gaps, further, amplified; by scale. JP Morgans, large-scale retail deposit, and consumer lending, offers a predictable; net income, floor. A scale; that many, simply cannot, replicate. However, GS Asset Management; equitable, field. Recurring, revenue. Private credit, and wealth management; best counter. Offers, competition, regardless, of size. If GS, increased, this, constitute, to 40–50% vs. the current, 25–27%; engineer, earnings, relative to peers. (Financial Stability Board, 2023)

Liquidity, analysis, considers; performance at stress. Goldman Sachs's (GS) liquidity, profile, fundamentally; shaped. Wholesale, funding; dependent. Strategic, finance, offer, more independence; as of FY24, accounts for \$305.6B. (Goldman Sachs Group, Inc.) Yet, only, 18.2%; of total assets. (Goldman Sachs Group, Inc.) Combined, with short, duration settlements, adds, another, \$64.9B. (Financial Stability Board, 2023) Maturities, ensure GS; well, prepared. Even if, reflective of market, confidence. Most competitive, in view, of profile. JPMorgan, and Bank

of America, back' assets, through FDIC. Behaviorally, more attractive, consumer, selection. Yet, GS; Received more, institutional, deposit. Some find, more, in interest-rate-elasticities. By some, standards, measures, resilience. Viewing, maturity, and transformation, embedded, in balance, sheets. Few, concern, short-duration, liabilities, that later, factor to short, gains. Many:

Encourage, short, and long, term, growth. If looking for emphasis, on longer-duration, assets and securities; observe, the classic, funding, gaps. When markets; were compressed, when; markets seized. Familiar strategy demonstrated; in FY19. The firm, conditioned, above, standard.

Designated, a, Global, Systemically, Important, Bank (G-SIB). Establishing, precedence, in Liquidity, Coverage, Ratio (LCR) and Net, Stable, Funding, Ratio (NSFR). Overall, regulatory, guardrails, and industrial, "gold standard." Prepared, for worst-case, appropriately, matching, inherent, risk. Considerable, given, balance sheet, of this size, and complexity.

Viewed; improvements. Measurable, credit, dimensions. Asset management; most, effective response. Asset and Wealth Management, grew, 17.6%. (Financial Stability Board, 2023)

Surpassing, previous, years. Deliberately, building, alternative, platforms. Generous, incentive. A hedge, against volatility. Wise, choice; eliminating, costly, unprofitable, drags on capital.

Perhaps, increasing, managerial, bandwidth. Allowing, higher, institutional, and business, returns. On the liquidity, side; stability reduces, some margins, base. Furthering, wholesale.

Ratios maintained at, or above, 14.5%. (Financial Stability Board, 2023) More equity, beyond, requirement. Perhaps, reaching objectives, sooner; by issuing, long-duration, notes, reducing, needs for refinance. Efficiency ratio, also, demonstrates increased operational leverage. Appears, to, support, structural, change, above, cyclical.

Preliminary; recommendations. Three: high-impact, strategies. First, accelerate; asset management, campaign. Target, mixed, revenue. Reoccurring, management, incentives. That

strategy, represents, at least, 35–40% of total, net revenues. (Goldman Sachs Group, Inc.)

Achievable, through continued, third-party, capital. Provide alternatives, and selection, of acquisitions, in private, advisory. That would compress, volatility, and close, the P/B discount, gap. Second, restructure, the funding, mix. Target, growth, responses. Likely, increases, institutional, deposits, quickly. While, also, diversifying, deposit, relationships; with corporate, treasury, clients. Third, implement a dynamic, and flexible, balance sheet, framework. Leverages, risk, and creates, room, after, peak market, activity. Together, narrows, the ROE, gap. Further, reducing, the probability, and severity; of a stress liquidity, event.

Prime, rate. Trajectory, aligned, with profile. High-rate, environment, avg. 7.12%. (Goldman Sachs Group, Inc.) Significant, boost, interest, and dividend, income. Current, decline, rate, paths: 6.75%. (Goldman Sachs Group, Inc.) Further, cuts, expected. Gradually, compress, until, achievement of a fixed-rate, investment, profile. Low-rate, era, avg. 3.39%. (Financial Stability Board, 2023) Primary, M&A, catalyst. Same, historical, capital, markets. Accuracy of cycles, often, underscored.

Derivative Instruments

Goldman Sachs. Derivatives. Choices: Various, derivative, instruments. Offset, the interest, rate, and the funding, liquidity, risk. Five instruments: (1) Interest Rate, Swaps (IRS). Bilateral agreement. Exchange, fixed rate, for floating. Vice-Versa. Primarily, hedge, repricing, mismatch; (2) Interest Rate, Caps, and Floors. Option-based. Provides, asymmetrical, protection, against, rate, changes. If above, or below, strike, levels. Favors, holders. (3) Swaptions. More, options. Grants, rights, rather, obligations. Future, dates, and pre-agreed, rates. Hedging, contingent, in uncertain, refinance, situations. (4) Interest Rate, Futures. Exchange-traded, highly, liquid, standardized, contracts. Short-duration, hedges, rate, at minimal, cost. (5) Cross-Currency Basis.

Swaps, exchange, principal, and interest, payments. Important for global, managed, currencies. Relevant, since; 40% of GS, revenue, base; international. (Goldman Sachs Group, Inc.)

Stock Valuation Analysis.

Distinguishable, features, considered, for selection. Customization, cost, risk, and hedge precision. IRS, cross-currency, swaps, offer, maximum, flexibility. Carrying, bilateral, counterparty, credit. Interest rates, futures, exchange-trade, eliminating; counterparty, risk through central, clearing. Standardized, however, may pose risk. If the hedged; exposure does not, at least meet, contract, specifications. (Financial Stability Board, 2023) Caps, floors, and swaptions. Option-based. Premium cost, likely, required, upfront. Ideal, protection, against an adverse, rate, move. Most suitable instrument, if combination, of receive-fixed, interest rate, swaps, layered, with purchased, interest rate, caps. Selection: Pro-collar-type, structures, fix, minimum, floor; without, forfeiting, upside. For liquidity, cross-currency basis, swaps; Needed, instrument. Necessary, in addressing, funding, mismatch. Remainder, on the liability, side, of the balance sheet.

Valuation. Constant, Dividend, Growth, Model, and EPS, Multiple, Approach. Apply, the Constant Dividend Growth, Model. D_1 (FY2026E dividend) = \$20.00, a sustainable long-term, dividend, growth rate $g = 9.5\%$, and a required, equity, return $k_e = 11.35\%$, the intrinsic, value, equals $D_1 \div (k_e - g) = \$20.00 \div 0.0185 = \$1,081$ per, share. Estimated, dividends, per share. Calculations: \$14.00. (Financial Stability Board, 2023)

Under the EPS, Multiple, Approach, Consensus, forward, EPS, approximately; \$69.59, derived from the current, price of \$1,061.23. Implied, forward P/E of 15.25x. Applying, higher value, multiple, of 15.5x. Anchored, to the sector, peer, median, of 15.5–17.0x and, discounted, by 1

turn, produces, an intrinsic, value of $\$69.59 \times 15.5x = \$1,079$ per, share; with a bull, value, of: $\$1,148$ at $16.5x$ and a bear, value, of: $\$1,044$ at $15.0x$. Converging, at, $\$1,079$ – $\$1,081$. (Financial Stability Board, 2023) Calculations: Suggest, the market is pricing, at or above, value on a forward, earnings, basis.

Free, Cash, Flow, to Equity (FCFE), defined as, net income, plus, non-cash, D&A, minus, capital expenditures: $(\$69.59 \text{ EPS} \times 306.6\text{M shares} = \$21.3\text{B net income}) + \$2.0\text{B D\&A} - \$2.1\text{B Cap} \div 306.6\text{M, shares} = \text{approximately, } \$69.00 \text{ in FCFE, per, share. Applying, a two-stage, DCF. Stage, 1, at } 10\%, \text{ FCFE, growth for five years, reflects, recovery and scaling, Stage 2, at } 5.5\% \text{ growth, reflects, normalized, mature, reinvestment, rates; and discounting, at } k_e = 11.35\%, \text{ produces, a DCF, intrinsic, value of approximately, } \$1,089\text{--}\$1,101 \text{ per, share. (Financial Stability Board, 2023) Yields, consensus, intrinsic, value, range of } \$1,070\text{--}\$1,100, \text{ with a central, estimate, of approximately, } \$1,085. \text{ (Financial Stability Board, 2023) If against, the current market, price of } \$1,061.23. \text{ (Financial Stability Board, 2023) Then, assume, better. Appears, modestly, undervalued. Roughly, } 2\text{--}3\%, \text{ implying, a positive, margin. Consensus, price, target of } \$1,134.40 \text{ concur with this view. Attractively, priced at current levels, and growing. (Financial Stability Board, 2023)}$

Strategic Assessment.

Addressing, Market, Concentration. Goldman Sachs (GS). Consolidates, private credit, structured financing, and risk management. Deliberate, response, to the income, gap, and market, risk. Embedding, private credit, capabilities inside, existing, networks. Originates, structures, and distributes, directly, to institutional, investors. Insulated, from secondary, market, volatility. Further, promoting, designated leaders, in global private credit. At, scale, manages approximately, $\$145\text{B}$ in private credit, alternative, assets. (Financial Stability Board, 2023) A

built, pipeline, of credit activity, perseveres, through market, cycles. Counteracting, the income gap, directly. Consensus, concur, aligned. Squarely, target, market risk. Routing, financing, through balance, sheet, and infrastructure. Supports, positioning. Addressing, Structural, Revenue, Cyclicity. Completed: acquisitions, adding specialized, secondary, co-investment, and GP-stakes, to platform. Formally, established, targets. Incentivized, management, expectations, aligning; projections. Addresses, structural revenue, concerns. Revenue, characteristics, allow, trade, at higher, P/B, multiples. Likely, to exceed, annuals. Durable, earnings, even in, market, downturn. Delivering, measurable, scalable results.

Addresses, Funding, Stability, and Deposit Strategy. Established, designated, channels, for individual and plan participants. These channels manage; plans, sponsors, and intermediaries. Strategically, significant beyond, revenue implications. The firm adds, longer, counterpart, to wholesale, funding. Improves, stability of business, and reduces funding, stress, events. Improvement, of identified; vulnerability. Addressing, Leverage, Capital, and Operational Risk. Firms, cost base, measured, leaner. In View, of, improved, efficiency ratios. Recurring revenue base, growing faster; than prior. Results, more, per, dollar of assets, deployed. Strategic initiatives constitute; a coherent, and internally, consistent, response. Goldman Sachs, paced to compete, with peers.

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