

Financial Analysis: GS - 2025 FY summary

Executive Summary

****Executive Summary: Quarterly Performance Review****

This summary provides an overview of the company's performance across the four quarters, focusing on revenue trends, headcount changes, and key risk indicators including write-offs and provisions. The year presented a dynamic operating environment, characterized by strong segment-specific growth alongside strategic adjustments and fluctuating profitability.

****Revenue Trend:****

The company experienced a dynamic revenue trajectory throughout the year. Q1 started strong with \$15.06 billion, driven by Global Banking & Markets. Q2 saw a sequential deceleration to \$14.58 billion, though still marking a 15% year-over-year increase. A robust rebound in Q3 pushed revenues to \$15.18 billion, a 20% increase year-over-year, with broad-based growth across segments, notably Investment Banking and Platform Solutions. However, Q4 concluded with a significant sequential decline to \$13.45 billion, representing an 11% quarter-over-quarter drop and a 3% year-over-year decrease. This Q4 performance was heavily impacted by a substantial negative revenue of \$(1.68) billion in Platform Solutions, primarily due to a \$2.26 billion markdown on the Apple Card portfolio related to its transfer to held for sale. Excluding this one-off impact, underlying revenue performance in core segments like Global Banking & Markets remained strong.

****Headcount Changes:****

Headcount fluctuated throughout the year, reflecting strategic adjustments. The total headcount decreased from 46,600 in Q1 to 45,900 in Q2, indicating a period of optimization. This trend reversed significantly in Q3, with headcount increasing to 48,300, suggesting expansion or strategic hiring. By Q4, headcount saw a slight reduction to 47,400 from Q3, but notably remained 2% higher than the prior year, indicating overall net growth in the workforce over the full year despite quarterly adjustments.

****Write-offs and Risk Profile:****

The company reported ****zero direct write-offs**** across all four quarters, indicating effective asset management and credit quality in its core portfolios.

****Credit Loss Provisions**** showed variability:

- * Q1: \$287 million
- * Q2: \$384 million, primarily reflecting net charge-offs related to the credit card portfolio and growth in credit

card and wholesale portfolios.

- * Q3: \$339 million, a slight decrease from Q2.

- * Q4: A significant net benefit of \$(2.12) billion. This substantial reversal was largely a one-off event, driven by a related reserve reduction tied to the Apple Card portfolio adjustment, effectively offsetting the negative revenue impact from the same event. This benefit masked underlying credit trends and should not be interpreted as a broad improvement in credit quality across all portfolios.

****Regulatory and Legal Provisions**** also saw notable shifts:

- * Q1: A favorable credit of \$(11) million.

- * Q2: A minimal provision of \$1 million.

- * Q3: A significant increase to \$131 million, up from \$41 million in the prior year, indicating higher legal and regulatory costs or anticipated liabilities.

- * Q4: Continued elevated provisions at \$94 million, compared to a net benefit in the prior year, suggesting ongoing or new legal/regulatory challenges requiring increased capital allocation.

In summary, while the company demonstrated resilience and strong performance in core banking and markets, the year was marked by significant one-off events impacting both revenue and credit provisions in Q4. Headcount adjustments reflected a dynamic talent strategy, and an increasing trend in regulatory and legal provisions in the latter half of the year warrants continued monitoring.

Quarterly Metrics

Metric	Q1	Q2	Q3	Q4
Quarterly Revenue Bn	15.06	14.583	15.18	13.454
Eps	14.12	10.91	12.25	14.01
Net Interest Income Millions	2895	3104	3852	3708
Dividend Per Share	3.0	4.0	4.0	4.5
Assets Under Supervision Bn	3173.0	3293.0	3452.0	3606.0
Total Headcount	46600	45900	48300	47400
Write Offs Millions	0.0	0.0	0.0	0.0
Credit Loss Provisions Millions	287.0	384.0	339	-2123.0
Operating Expenses Bn	9.128	9.241	9.45	9.722

Return On Equity Bn	0.0	0.0	0.0	0.0
Return On Equity Tier1 Captial Bn	0.0	0.0	0.0	0.0
Net Profit Growth Percentage	15.0	22.0	37.07	12.31
Liquidity Coverage Ratio Percentage	0.0	0.0	0.0	0.0
Risk Weighted Assets Bn	696.0	708.0	722.0	726.0

Qualitative Insights

Key Highlights

[Q1]: The Goldman Sachs Group reported strong first-quarter 2025 results, with net revenues reaching \$15.06 billion, net earnings of \$4.74 billion, and diluted EPS of \$14.12. This performance was attributed to clients turning to Goldman Sachs during uncertainty, with the firm achieving its third-highest quarterly net revenues.

Global Banking & Markets was a significant driver, generating \$10.71 billion in net revenues, fueled by record performances in Equities (including financing) and strong contributions from Fixed Income, Currency and Commodities (FICC) and Debt underwriting. The firm maintained its top-tier position, ranking #1 in worldwide announced and completed mergers and acquisitions, equity and equity-related offerings, and common stock offerings.

Asset & Wealth Management also saw growth in assets under supervision, which increased by \$36 billion during the quarter to a record \$3.17 trillion. The firm delivered an annualized return on average common shareholders' equity (ROE) of 16.9% and an annualized return on average tangible common shareholders' equity (ROTE) of 18.0%, alongside an increase in book value per common share to \$344.20.

[Q2]: Goldman Sachs reported strong second-quarter 2025 earnings, with net revenues reaching \$14.58 billion, a 15% increase compared to the second quarter of 2024. Diluted earnings per common share (EPS) stood at \$10.91, marking a 27% rise year-over-year. The firm's annualized return on average common shareholders' equity (ROE) was 12.8% for the quarter.

A significant highlight was the performance of Global Banking & Markets, which saw net revenues of \$10.12 billion, up 24% from the prior year. This growth was driven by a 26% increase in Investment Banking fees, a 9% rise in Fixed Income, Currency and Commodities (FICC) revenues, and a substantial 36% increase in Equities revenues. The firm also announced an increase in its quarterly dividend to \$4.00 per common share.

Assets Under Supervision (AUS) grew to \$3.293 trillion as of June 30, 2025. The company returned \$3.96 billion of capital to common shareholders during the quarter, including \$3.00 billion in common share repurchases. Provision for credit losses increased to \$384 million, primarily reflecting net charge-offs related to the credit card portfolio and growth in credit card and wholesale portfolios.

[Q3]: Goldman Sachs reported strong third-quarter 2025 results, with net revenues reaching \$15.18 billion, a 20% increase compared to the third quarter of 2024. Diluted earnings per common share (EPS) significantly rose to \$12.25, up from \$8.40 in the prior year quarter, while net earnings climbed 37% to \$4.10 billion. The annualized return on average common shareholders' equity (ROE) stood at 14.2%.

Performance was robust across all key segments. Global Banking & Markets saw an 18% increase in net revenues to \$10.12 billion, driven by a 42% surge in Investment banking fees, particularly in Advisory and Debt underwriting. Fixed Income, Currency and Commodities (FICC) revenues grew 17%, and Equities revenues increased by 7%.

Asset & Wealth Management reported net revenues of \$4.40 billion, up 17%, benefiting from higher Management and other fees and significantly higher Private banking and lending revenues. Platform Solutions demonstrated exceptional

growth, with net revenues soaring 71% to \$670 million, primarily due to strong consumer platforms performance.

The firm also declared a quarterly dividend of \$4.00 per common share and returned \$3.25 billion of capital to common shareholders during the quarter, including \$2.00 billion in common share repurchases. Assets under supervision reached \$3.452 trillion, reflecting healthy net inflows and market appreciation.

[Q4]: Goldman Sachs reported strong fourth-quarter 2025 results with diluted earnings per common share (EPS) of \$14.01 and an annualized Return on Average Common Shareholders' Equity (ROE) of 16.0%. Net revenues for the quarter totaled \$13.45 billion. The Board of Directors demonstrated confidence in future performance by increasing the quarterly dividend to \$4.50 per common share.

The Global Banking & Markets segment showed robust performance, with net revenues increasing 22% compared to the fourth quarter of 2024. This growth was primarily driven by a 25% increase in Investment Banking fees, reflecting a significant rise in completed mergers and acquisitions volumes, and a 25% increase in Equities net revenues. Asset & Wealth Management net revenues remained largely stable year-over-year at \$4.72 billion, benefiting from higher Management and other fees due to an increase in average assets under supervision, which reached \$3.606 trillion at quarter-end.

Overall, the firm's financial position appears solid, with common equity tier 1 capital ratio at 14.4% under standardized rules and total assets at \$1.810 trillion. Headcount saw a slight decrease of 2% compared to the end of the third quarter of 2025, while remaining 2% higher than the prior year.

Critical View

[Q1]: While overall results were strong, certain segments experienced declines compared to the prior year. Investment banking fees were down 8% year-over-year, primarily due to significantly lower net revenues in Advisory. Asset & Wealth Management net revenues also decreased by 3% compared to Q1 2024, largely impacted by significantly lower net revenues in Equity investments and Debt investments, which saw net losses or significantly lower net interest income compared to gains in the prior year. Platform Solutions also reported a 3% decrease in net revenues, with transaction banking affected by lower average deposit balances.

Furthermore, the reported net earnings and ROE were significantly boosted by a one-time tax benefit. The provision for taxes was reduced by approximately \$525 million due to tax benefits on the settlement of employee share-based awards, which alone increased diluted EPS by \$1.63 and annualized ROE by 2.0 percentage points. This suggests that a portion of the strong bottom-line performance and ROE is attributable to a non-recurring item rather than purely operational improvements, potentially masking underlying trends in profitability.

[Q2]: While overall revenues and EPS showed strong year-over-year growth, a closer look reveals some areas of concern. Net revenues for the second quarter of 2025 were 3% lower than the first quarter of 2025, and diluted EPS saw a significant 23% sequential decline from \$14.12 in Q1 2025 to \$10.91 in Q2 2025. This sequential deceleration in profitability could be a point of concern.

Asset & Wealth Management net revenues decreased by 3% compared to Q2 2024, primarily due to significantly lower

net revenues in both Equity and Debt investments. Specifically, Debt investments experienced significantly lower net interest income and net losses from hedges, contrasting with net gains in the prior year. Platform Solutions also showed modest growth, with net revenues only 2% higher year-over-year, and Transaction banking and other net revenues actually decreased.

Operating expenses increased by 8% year-over-year to \$9.24 billion, mainly driven by higher compensation and benefits expenses, which could pressure margins if revenue growth slows. Additionally, headcount decreased by 2% compared to the end of the first quarter of 2025, which might indicate cost-cutting measures or a more challenging operating environment in certain segments.

[Q3]: While overall results were strong, a closer look reveals some areas of moderated performance or specific declines. Net revenues in Platform Solutions, despite significant year-over-year growth, were 2% lower compared to the second quarter of 2025. Within Global Banking & Markets, FICC intermediation experienced "significantly lower net revenues in currencies and lower net revenues in credit products," and Equities intermediation saw "lower net revenues... driven by cash products," partially offsetting gains in other areas.

Operating expenses increased by 14% year-over-year, partly due to higher compensation and benefits, but also significantly influenced by a substantial increase in net provisions for litigation and regulatory proceedings, which rose from \$41 million in Q3 2024 to \$131 million in Q3 2025. This increase in legal provisions warrants attention as a potential drag on future earnings if such trends continue.

Furthermore, the firm's common equity Tier 1 capital ratios and supplementary leverage ratio saw slight quarter-over-quarter decreases, indicating a minor softening in capital strength, although they remain at healthy levels. Interest income also experienced a 3% year-over-year decline, and market making revenues were down 6% year-over-year and 18% quarter-over-quarter, suggesting some headwinds in core trading activities.

[Q4]: Despite the positive highlights, a critical review reveals significant underperformance in the Platform Solutions segment, which recorded negative net revenues of \$(1.68) billion for the fourth quarter. This substantial decline was primarily attributed to a \$2.26 billion reduction in net revenues from markdowns on the Apple Card portfolio, related to its transfer to held for sale and contract termination obligations. While this was largely offset by a related reserve reduction in provision for credit losses, it represents a considerable drag from this segment and highlights the impact of strategic exits or portfolio adjustments.

Total net revenues for the fourth quarter of 2025 were 3% lower than the fourth quarter of 2024 and 11% lower than the third quarter of 2025, indicating a sequential slowdown and a slight year-over-year decline in overall top-line performance. The reported net benefit in provision for credit losses of \$(2.12) billion, while boosting net earnings, was largely a one-off event driven by the Apple Card portfolio adjustment rather than a broad improvement in underlying credit quality across all portfolios. This benefit effectively masked potential credit challenges or reduced the need for new provisions that might otherwise have been required.

Operating expenses increased by 18% compared to the fourth quarter of 2024, primarily due to significantly higher compensation and benefits expenses, reflecting improved operating performance but also contributing to a higher efficiency ratio for the full year. This increase in expenses, coupled with the decline in total net revenues, suggests potential pressure on operating leverage moving forward.

Regulatory & Legal

[Q1]: The Q1 2025 report did not highlight any new significant regulatory or legal developments. It noted that net provisions for litigation and regulatory proceedings resulted in a credit of \$(11) million for the quarter, a favorable change compared to a \$23 million provision in Q1 2024. The report also mentioned the absence of the FDIC special assessment fee, which was recognized in Q1 2024, contributing to lower operating expenses year-over-year. However, no new regulatory changes, legal challenges, or compliance initiatives were specifically summarized as "developments" within this quarterly earnings release. The report refers to the firm's Annual Report on Form 10-K for detailed information on risk factors and capital adequacy regulations.

[Q2]: The report notes a significant reduction in net provisions for litigation and regulatory proceedings, which amounted to \$1 million for the second quarter of 2025, a substantial decrease from \$104 million in the second quarter of 2024. This reduction positively impacted operating expenses. No other specific new regulatory or legal developments, such as new investigations, fines, or policy changes, were detailed in the provided text beyond this financial impact.

[Q3]: The report indicates an increase in net provisions for litigation and regulatory proceedings. For the third quarter of 2025, these provisions amounted to \$131 million, a notable increase from \$41 million in the third quarter of 2024. This suggests that the firm faced higher legal and regulatory costs or anticipated future liabilities during the quarter, which impacted operating expenses. No other specific new regulatory changes or legal actions were detailed in the provided text.

[Q4]: The report indicates an increase in provisions for litigation and regulatory proceedings. Net provisions for these matters were \$94 million for the fourth quarter of 2025, a notable increase compared to a net benefit of \$(2) million in the fourth quarter of 2024. This suggests that the firm has allocated more capital to cover potential legal and regulatory costs, which could stem from ongoing investigations, new legal challenges, or anticipated regulatory fines. However, the report does not provide specific details regarding the nature or scope of these regulatory or legal developments, leaving the underlying causes of this increased provision unspecified.