

GOLDMAN SACHS GROUP INC

Form 10-Q

August 04, 2016

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Form 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2016**

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from**

**to**

**Commission File Number: 001-14965**

**The Goldman Sachs Group, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of

incorporation or organization)

200 West Street, New York, N.Y.  
(Address of principal executive offices)

(212) 902-1000

13-4019460  
(I.R.S. Employer

Identification No.)

10282  
(Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of July 22, 2016, there were 405,461,645 shares of the registrant's common stock outstanding.

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THE GOLDMAN SACHS GROUP, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited)**

THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

**Condensed Consolidated Statements of Earnings****(Unaudited)**

|   | Three Months   |         | Six Months      |          |
|---|----------------|---------|-----------------|----------|
|   | Ended June     |         | Ended June      |          |
| <i>in millions, except per share amounts</i>        | 2016           | 2015    | 2016            | 2015     |
| <b>Revenues</b>                                     |                |         |                 |          |
| Investment banking                                  | <b>\$1,787</b> | \$2,019 | <b>\$ 3,250</b> | \$ 3,924 |
| Investment management                               | <b>1,260</b>   | 1,566   | <b>2,522</b>    | 3,069    |
| Commissions and fees                                | <b>777</b>     | 805     | <b>1,694</b>    | 1,658    |
| Market making                                       | <b>2,490</b>   | 2,309   | <b>4,352</b>    | 6,234    |
| Other principal transactions                        | <b>864</b>     | 1,707   | <b>815</b>      | 3,279    |
| Total non-interest revenues                         | <b>7,178</b>   | 8,406   | <b>12,633</b>   | 18,164   |
| Interest income                                     | <b>2,530</b>   | 2,150   | <b>4,878</b>    | 4,185    |
| Interest expense                                    | <b>1,776</b>   | 1,487   | <b>3,241</b>    | 2,663    |
| Net interest income                                 | <b>754</b>     | 663     | <b>1,637</b>    | 1,522    |
| Net revenues, including net interest income         | <b>7,932</b>   | 9,069   | <b>14,270</b>   | 19,686   |
| <b>Operating expenses</b>                           |                |         |                 |          |
| Compensation and benefits                           | <b>3,331</b>   | 3,809   | <b>5,993</b>    | 8,268    |
| Brokerage, clearing, exchange and distribution fees | <b>625</b>     | 647     | <b>1,316</b>    | 1,285    |
| Market development                                  | <b>112</b>     | 147     | <b>234</b>      | 286      |
| Communications and technology                       | <b>205</b>     | 203     | <b>402</b>      | 401      |

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|   |                |         |                 |          |
|---|----------------|---------|-----------------|----------|
| Depreciation and amortization                         | <b>245</b>     | 265     | <b>484</b>      | 484      |
| Occupancy   | <b>181</b>     | 186     | <b>364</b>      | 390      |
| Professional fees                                     | <b>231</b>     | 250     | <b>451</b>      | 461      |
| Other expenses  | <b>539</b>     | 1,836   | <b>987</b>      | 2,451    |
| Total non-compensation expenses                       | <b>2,138</b>   | 3,534   | <b>4,238</b>    | 5,758    |
| Total operating expenses                              | <b>5,469</b>   | 7,343   | <b>10,231</b>   | 14,026   |
| Pre-tax earnings                                      | <b>2,463</b>   | 1,726   | <b>4,039</b>    | 5,660    |
| Provision for taxes                                   | <b>641</b>     | 678     | <b>1,082</b>    | 1,768    |
| Net earnings  | <b>1,822</b>   | 1,048   | <b>2,957</b>    | 3,892    |
| Preferred stock dividends                             | <b>188</b>     | 132     | <b>123</b>      | 228      |
| <b>Net earnings applicable to common shareholders</b> | <b>\$1,634</b> | \$ 916  | <b>\$ 2,834</b> | \$ 3,664 |
| <b>Earnings per common share</b>                      |                |         |                 |          |
| Basic   | <b>\$ 3.77</b> | \$ 2.01 | <b>\$ 6.47</b>  | \$ 8.07  |
| Diluted   | <b>3.72</b>    | 1.98    | <b>6.39</b>     | 7.93     |
| <b>Dividends declared per common share</b>            |                |         |                 |          |
|   | <b>\$ 0.65</b> | \$ 0.65 | <b>\$ 1.30</b>  | \$ 1.25  |
| <b>Average common shares outstanding</b>              |                |         |                 |          |
| Basic   | <b>431.9</b>   | 451.4   | <b>436.2</b>    | 452.3    |
| Diluted   | <b>439.2</b>   | 461.6   | <b>443.2</b>    | 462.1    |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

**Condensed Consolidated Statements of Comprehensive Income****(Unaudited)**

| <i>\$ in millions</i>                             | Three Months   |         | Six Months     |         |
|---|----------------|---------|----------------|---------|
|   | Ended June     |         | Ended June     |         |
|   | <b>2016</b>    | 2015    | <b>2016</b>    | 2015    |
| Net earnings                                      | <b>\$1,822</b> | \$1,048 | <b>\$2,957</b> | \$3,892 |
| Other comprehensive loss adjustments, net of tax: |                |         |                |         |
| Currency translation                              | <b>(22)</b>    | (30)    | <b>(39)</b>    | (55)    |
| Debt valuation adjustment                         | <b>(50)</b>    |         | <b>(62)</b>    |         |
| Pension and postretirement liabilities            | <b>(1)</b>     | (107)   | <b>(37)</b>    | (110)   |
| Other comprehensive loss                          | <b>(73)</b>    | (137)   | <b>(138)</b>   | (165)   |
| <b>Comprehensive income</b>                       | <b>\$1,749</b> | \$ 911  | <b>\$2,819</b> | \$3,727 |

The accompanying notes are an integral part of these condensed consolidated financial statements.



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THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES

**Condensed Consolidated Statements of Financial Condition****(Unaudited)**

|   | As of            |           |
|---|------------------|-----------|
|   | <b>June</b>      | December  |
| <i>\$ in millions, except per share amounts</i>   | <b>2016</b>      | 2015      |
| <b>Assets</b>   |                  |           |
| Cash and cash equivalents   | <b>\$103,293</b> | \$ 75,105 |
| Cash and securities segregated for regulatory and other purposes (includes \$45,397 and \$38,504 at fair value as of June 2016 and December 2015, respectively)         | <b>64,620</b>    | 56,838    |
| Collateralized agreements:  |                  |           |
| Securities purchased under agreements to resell and federal funds sold (includes \$105,915 and \$119,450 at fair value as of June 2016 and December 2015, respectively) | <b>107,175</b>   | 120,905   |
| Securities borrowed (includes \$75,042 and \$69,801 at fair value as of June 2016 and December 2015, respectively)  | <b>190,615</b>   | 172,099   |
| Receivables:  |                  |           |
| Brokers, dealers and clearing organizations   | <b>26,731</b>    | 25,453    |
| Customers and counterparties (includes \$3,433 and \$4,992 at fair value as of June 2016 and December 2015, respectively)   | <b>51,710</b>    | 46,430    |
| Loans receivable  | <b>48,212</b>    | 45,407    |
| Financial instruments owned, at fair value (includes \$53,411 and \$54,426 pledged as collateral as of June 2016 and December 2015, respectively)                       | <b>279,992</b>   | 293,940   |
| Other assets  | <b>24,495</b>    | 25,218    |
| <b>Total assets</b>   | <b>\$896,843</b> | \$861,395 |
| <b>Liabilities and shareholders' equity</b>   |                  |           |
| Deposits (includes \$14,677 and \$14,680 at fair value as of June 2016 and December 2015, respectively)   | <b>\$123,708</b> | \$ 97,519 |
| Collateralized financings:  |                  |           |
| Securities sold under agreements to repurchase, at fair value   | <b>77,530</b>    | 86,069    |
|   | <b>3,972</b>     | 3,614     |

Securities loaned (includes \$1,557 and \$466 at fair value as of June 2016 and December 2015, respectively)

|   |                |         |
|---|----------------|---------|
| Other secured financings (includes \$23,786 and \$23,207 at fair value as of June 2016 and December 2015, respectively)   | <b>25,529</b>  | 24,753  |
| Payables:   |                |         |
| Brokers, dealers and clearing organizations   | <b>8,256</b>   | 5,406   |
| Customers and counterparties  | <b>209,680</b> | 204,956 |
| Financial instruments sold, but not yet purchased, at fair value  | <b>122,949</b> | 115,248 |
| Unsecured short-term borrowings, including the current portion of unsecured long-term borrowings (includes \$18,554 and \$17,743 at fair value as of June 2016 and December 2015, respectively) | <b>42,854</b>  | 42,787  |
| Unsecured long-term borrowings (includes \$27,947 and \$22,273 at fair value as of June 2016 and December 2015, respectively)   | <b>183,732</b> | 175,422 |
| Other liabilities and accrued expenses (includes \$653 and \$1,253 at fair value as of June 2016 and December 2015, respectively)   | <b>12,119</b>  | 18,893  |
| <b>Total liabilities</b>  | <b>810,329</b> | 774,667 |

### Commitments, contingencies and guarantees

#### Shareholders equity

Preferred stock, par value \$0.01 per share; aggregate liquidation preference of \$11,203 and \$11,200 as of June 2016 and December 2015, respectively