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**Comments by Gary Cohn, President & COO**
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Thank you, and good morning everyone. I'll begin by talking about the current market environment, followed by a brief overview of each of our businesses. Then, I'd like to spend a few minutes discussing our operating philosophy, and more specifically, how we are thinking about potential revenue opportunities for Goldman Sachs. With that, let's get started.

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Broadly speaking, the current operating environment is mixed, marked by both headwinds and tailwinds affecting different parts of our business. A notable tailwind has been the strength we've seen in M&A activity recently, with volumes in the second quarter on pace to more than double versus last year. This increase has been largely driven by strategic and cross-border activity. We've also seen continued strength in equity and debt issuance.

Conversely, as we consider headwinds, volumes in a number of fixed income markets have been under significant pressure in 2014: FX volumes are down 45% versus 2013, mortgage-backed securities volumes are down over 20%, and corporate bond volumes are down almost 15%.

Naturally, we've been hearing a number of questions about the driver of these declines, including: macro factors, like fiscal or monetary policy, regulation, or the low-growth global economy. We believe all play a role, but in our day-to-day business, the most significant factors are economic in nature.

Consider that: economies are still struggling to grow; the US and Europe show signs of steady but slow recovery, while China continues to grow, but at a slower pace; and the response of central banks around the world has been to support the system with virtually zero real yields. So, while we have seen a significant amount of new regulation and increased capital requirements, we firmly believe that economic fundamentals, more than any other factors, are responsible for the current operating environment.

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As we have also witnessed in recent times, the consequence of global quantitative easing and low interest rates is low volatility. You can see the impact clearly in the data: the VIX is running almost 40% below its 10-year average; currency volatility is also roughly 40% below its 10-year average – in fact, the euro, in the last 2 months, has experienced its narrowest monthly trading range since its inception 15 years ago; interest rate volatility is running more than 35% below its 10-year average, with the US 10-year trading in a narrower band over the past 3 months than any time period over the past 35 years.

The point is, macro factors are driving reduced market volatility, which in turn weighs on volumes, bid-offer spreads, risk appetite and the ability of our clients to generate alpha.

We understand that reality, and of course, we are not just waiting for things to get better. We are staying close to our clients, we are maintaining our risk-return discipline, and we are aggressively managing our capital and expenses.

With that as a backdrop, let me make the overarching point that our portfolio of businesses correlates directly to our clients' activities. Over time, how we make adjustments to our strategy and calibrate our services and offerings is a direct reflection of the evolving wants and needs of these clients. Taken together, our business mix is not only synergistic, it is increasingly a prerequisite for providing world-class service to our global institutional client base.

Let's look at some of the trends we are seeing in our business. Notwithstanding the current environment, there are some pretty strong fundamental trends underway.

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We have never wavered in our commitment to building upon our world-class investment banking franchise. It has required a steady focus on both expanding and deepening our client relationships, largely through the recruitment and retention of talented professionals.

And our commitment is demonstrated by our steady improvement in revenue share and rankings – both in equity and debt underwriting over the past 5 years – as well as in our dominant market share in the Advisory business where our revenues are 50% higher than our next closest peer over the last twelve months. A key driver of our advisory revenue strength is our roughly 30% share in deals greater than $1 billion over the last three years.

Further, strong merger activity drives the need for other services we provide, such as hedging and financing solutions. While the path of the current economic recovery is difficult to predict, there is still considerable potential for continued revenue growth as the cycle improves.

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Turning now to our Institutional Client Services business – this segment includes both FICC and Equities. We made the decision about a decade ago to integrate our equity, fixed income, currency and commodities businesses, which are managed as a cohesive unit. We believe this structure has been critical to our ability to provide nearly 7,000 clients with superior service as they look to execute transactions across a variety of asset classes.

Importantly, our organizational structure allows us to effectively price risk across various markets and fully reflect the costs of doing business. We also benefit from having one global risk platform, furthering our ability to operate as “one firm” and bring comprehensive perspectives to our clients. Our sales to clients using multiple products are on the rise, and deeper penetration among these clients remains an important revenue opportunity. The breadth of our franchise is evident in the diversification of our client base, which includes professional money managers, corporates, pension funds, insurance companies, and governments around the world.

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Within Institutional Client Services, our Fixed Income, Currency & Commodities franchise is a critical component of the services we provide to our clients. At the core of FICC’s value proposition is the diversity of our product offering across asset classes and geographies.

Approximately 99% of our transactions are sized at less than $50,000, reflecting our strength in market making. Our investment in technology – across both client interface and internal risk systems – has been critical to providing superior execution capabilities, while protecting our profit margins. Given the more muted operating environment for FICC, we have been focused on maintaining pricing discipline. To do this effectively, we allocate all relevant costs and provide our traders with the tools to assess capital intensity and returns.

From an expense perspective, we are judicious about leveraging technology, managing our footprint and paying for performance. Since 2010, we have reduced our FICC headcount by approximately 10%.

In terms of capital efficiency, we have achieved FICC risk-weighted asset mitigation of nearly $90 billion since June 2012. If not for these capital efficiency efforts, we would have needed roughly $8.5 billion of incremental capital to have the same advanced

Basel 3 Tier 1 Common ratio that we have today. This would have diluted our returns by approximately 120 basis points in 2013.

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Taking a look at Equities – we have industry-leading market share in our Equities franchise. When you exclude the recent sales of non-core businesses, revenues have been relatively stable, down only about 6% over the past 3 years. This is particularly noteworthy considering the lower-volume environment, with US volumes down roughly 20% over the same period.

Our performance also reflects the focus we place on operating efficiency. If you look at productivity, revenue per head is up more than 25% since 2005 within our Equities business. It's also important to remember that every revenue dollar isn't generated equally, because each dollar is embedded with a different degree of risk. As in FICC, we look to generate strong risk-adjusted returns across our Equities activities.

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Here we see a snapshot of our Investment Management business, which is among the largest in the world, with over a trillion dollars in assets under supervision. In keeping with our client-centric strategy, our goal across investment management is to provide consistent and persistent investment performance for our clients. In recent years, we've taken a series of actions to support and enhance our performance-driven culture. These steps have been critical to driving our improved performance, with the first quarter of 2014 representing the $10^{th}$ consecutive quarter of relative outperformance across our mutual fund assets.

Outperformance generates flows, leaving us well-positioned for growth. Last year we generated industry-leading flows in Fixed Income, and over the last eight quarters have seen over $100 billion of total long-term net inflows. We essentially created a new, top 100 asset manager in those eight quarters alone.

Private Wealth Management is a strong performer that is well-positioned for continued growth. We have built a differentiated franchise with $340 billion in assets under supervision and an average account balance of $40 million. Our average account balances have not only increased by 30% since 2009, but we have also steadily grown our high net worth lending book at an average of $1 billion per quarter over the past 5 quarters, to a total of over $11 billion today.

We are focused on strategic, manageable acquisitions to address secular industry trends and client investment needs. Recent acquisitions in key asset classes, including smart beta and stable value products for our defined contribution business, leave us well positioned for future growth.

Finally, our money market fund business is highly scalable and leveraged to a higher interest rate environment. The removal of fee waivers alone would drive more than $100 million of incremental revenues, which largely drops to the bottom line.

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Our Investing & Lending businesses are important contributors to the firm, providing growth capital to corporations and direct lending to our clients. These businesses have proven to be accretive to book value over time. In recent years, we have focused on growing our lending book, and today, half – or $33 billion of our Investing & Lending balance sheet – is in loans to corporate and high net worth borrowers.

As we continue to take steps to comply with the Volcker Rule, our co-investments with our clients in our merchant banking funds will be impacted. As Harvey outlined on the last earnings call, we have approximately $14 billion in such funds. Of the $14 billion, $2.5 billion is already public, $2 billion is permitted under Volcker, and an additional $1 billion reflects planned redemptions and other items. This leaves us with approximately $9 billion of private fund investments that we need to sell down. As we exit these positions, our harvesting pace will be driven by our goal of realizing the best possible returns for our investing clients.

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I want to finish today by touching on two points. First, our operating philosophy. And second, how we think about future revenue prospects.

In a cyclical, dynamic, and highly regulated industry such as ours to be successful you must continually adapt your operating strategy based on where you are in the cycle, industry trends, and evolving regulation. During more challenging environments, your focus is on operating efficiency, capital return and risk management. So given the range of factors affecting today’s marketplace, we have been particularly disciplined on our execution in these areas. To that end, we have implemented expense reduction initiatives of approximately $2 billion since 2010. We reported our second lowest compensation ratio last year. And these efforts allowed us to expand operating margins by 150 basis points last year, despite flat revenues. In addition, we have returned nearly $20 billion of capital to our shareholders over the past 3 years.

Of course, in a more favorable environment, your focus shifts to operating leverage, capital investment, and expanding competitive positioning. So, while we have been disciplined though the downturn, we have been careful to continue investing – both in our client franchise and in our operating platform – to position us strongly as the cycle improves.

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Let me share with you some thoughts on current market sentiment. We are all impacted by recency – perhaps to an outsized degree. When things are good, people think it can only get better. When things are tough, people think markets will never be good again.

Now, some of this is understandable, given that our industry is in a state of constant reinvention. Looking forward, while difficult to predict a time frame, I do anticipate that a variety of dynamics will drive revenue opportunities. From a macro perspective, the expansion of global growth will drive greater demand for our services. European markets remain fertile ground as the continent emerges from its economic challenges, and debt capital markets grow as the banking industry de-levers. The retirement of the Baby Boomer generation will require solutions to a new set of issues. Our industry will play an important role in allocating capital and providing advice to meet these challenges. Globalization remains an unrelenting force that will continue to drive increased demands for financial services around the world. This includes the expansion of emerging markets – which won't grow in a straight line – however, they will grow, and benefit from the development of deeper and more robust capital markets.

And while this is by no means an exhaustive review, we see a number of long-term opportunities for Goldman Sachs. In the end, if we continue to provide excellent services to our clients, recruit and retain the best people, and keep adapting our operating approach as the environment evolves, we will be well-positioned to fulfill our longstanding commitment to provide superior returns to our shareholders.