

**Goldman Sachs Presentation to  
Deutsche Bank Global Financial Services Investor Conference  
Comments by Gary Cohn, President and Chief Operating Office**

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Thank you Matt, and thanks to everyone for joining me this afternoon.

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Our forward success and ability to grow begins and ends with our client franchise. Clients are at the center of everything we do. Our client franchise is 145 years in the making, and spans industries, markets and regions around the world. Our portfolio of businesses is a direct reflection of the diversity of our clients' needs.

Across our four segments – Investment Banking, Institutional Client Services, Investing and Lending, and Investment Management – our goal is to provide differentiated, high quality services to our clients in an impactful way.

In our daily interactions with our clients, they tell us about the value they place on sound advice, the importance of having a consistent source for market liquidity, and the significance of gaining access to both financing and investment opportunities. Simply stated, our firm is directed by our clients and their needs.

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The strength and breadth of our client franchise is visible across our four segments. First, within Investment Banking, we have the leading M&A and Equity underwriting franchise in the world. Our goal is to be our clients' most trusted advisor. We have also expanded our debt financing activities. Within this business our goal has been to heavily engage with our clients when financing is either a central operating imperative – or part of a strategic transaction.

Second, within Institutional Client Services, we are one of the few global players that have both a leading FICC franchise AND a leading Equities franchise. And we have a strong position within each of our products. For FICC, this applies to our Credit, Rates, Currencies, Mortgages, and Commodities franchises. Within Equities, this applies to our leading cash, derivatives and prime services franchises.

Another differentiating factor for the Institutional Client Services business is our robust capital framework, called Return on Attributed Equity, which has been an important tool for creating industry leading returns and margins.

Third, our Investment Management franchise is uniquely positioned as a scale player across a broad set of asset classes, including actively managed equity, fixed income, and alternatives. We are entirely focused on providing consistent, persistent and strong performance for our clients. We also have a unique and highly valuable private wealth franchise that is synergistic with our broader asset management activities.

And fourth, in our investing and lending segment, we have grown our lending activities in an accretive way for our private wealth and corporate clients. And we are exploring other ways to provide highly accretive financing. We are also transforming our equity investing activities to continue to meet client needs while complying with Volcker requirements.

In summary, we have a diverse and leading franchise, and continue to be well-positioned to help our clients meet their needs.

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Let me spend a moment on the competitive landscape. It's important to recognize that the financial profile has materially strengthened for Goldman Sachs and the broader industry. This has positively impacted valuations, with our average competitor currently trading at a very modest discount to book value. However, peer group average ROEs have continued to lag in the mid-single digits.

Not surprisingly, this dynamic has intensified the focus on returns, and we have seen numerous restructuring and retrenchment announcements across our global peer group. We believe this is forcing a more rational competitive environment. Strongly positioned businesses and firms can excel, while more poorly positioned franchises are facing an increasing number of challenges.

We realize the question of whether capacity will truly leave the industry has been discussed in the past, and history suggests that when capacity does leave the system, it does so temporarily. But one thing that is different today is the significant regulatory requirements facing the industry and the barriers to entry they create. These barriers to entry make it difficult to easily exit and then re-enter the business.

We were early adaptors to the new operating environment, and have benefited from a strongly positioned set of underlying businesses. As a result, we have been able to remain client focused. With this in mind, we will spend the rest of my presentation discussing a few of the key trends we see as top of mind for our clients today, and how we think we can help them benefit from these trends.

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The first is what we call the quest for growth. Immediately following the crisis, global corporations focused on costs to protect margins and returns. They've de-levered and returned excess capital to shareholders. Large US companies – for example – have increased net share buybacks by approximately 120% since 2010, reflecting a \$210 billion increase in capital return. In the last 18 months, companies have become more offensive, undertaking M&A and expanding into new, often international markets. This trend drove a 70% increase in M&A announcements from the trough to 2014.

Even with the strong rebound in recent announcements, M&A volumes relative to global market cap were 5.5% last year, which is still more than 10% below the historical average since 2000. Our long-term track-record of providing the highest quality advice and execution speaks for itself. We achieved the top rank in advisory volumes in 13 of

the last 15 years and our average share of announced volume since 2000 has been 28%.

Our leading position within M&A reflects the breadth and depth of our client relationships. Regardless of where we are in the cycle or which industry is active, we are consistently the advisor of choice, having advised on 18 of the 20 largest M&A deals worldwide since our IPO.

Our client franchise has been an important contributor to recent performance. Our Advisory revenues in the first quarter were 1.8 times our closest competitor and we ended the quarter with our total investment banking backlog up significantly versus the same period last year.

Needless to say, given improved CEO confidence, the breadth of our client franchise, and the positive market backdrop, we believe the current M&A upcycle has significant durability.

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As strategic deals come into focus, cross-border transactions are typically a key component. They often represent the merging of different national or regional champions, and can be significant catalysts for other competitors to consider their own strategic alternatives.

From a regional perspective, a stronger dollar might have led some to expect that US corporates have been the dominant acquirer. However, the cross border trends are pretty balanced. Over the past 5 years, about 40% of cross-border deal volumes were from acquirers in the Americas going mostly into Europe, and the other 60% of the activity has mostly been European and Asian acquirers entering the Americas.

We believe we are well positioned to serve our clients regardless of regional shifts in activity given the geographic breadth of our client franchise. In each of the last 10 years, we were a top 3 M&A advisor in the Americas and EMEA, and we were top 3 M&A advisor in 7 of the last 10 years in Asia.

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A second key trend affecting our clients is the low interest rate environment. Since 2007, we've seen relatively low growth, low inflation, and unprecedented levels of global stimulus, while the balance sheets at the Federal Reserve, ECB and Bank of Japan have grown to a record \$10 trillion. This has coincided with a steady drop in interest rates driving a significant reduction in interest rate volatility, which has declined by more than 50% from 2009 to 2014 reaching levels well below long-term averages.

We've seen a number of opportunities to help our clients handle this unprecedented change over the past few years – but I'll highlight two quickly: First, we've seen a significant increase in corporate bond issuance in both the US and in Europe, in part to take advantage of the lower rates, and in part due to new leverage constraints on banks, especially in Europe. Between 2008 and 2014, the United States' bond market grew by nearly 50% to \$4.4 trillion. During the same timeframe, the bond market in Europe grew by 75% to 1.2 trillion euro. And reflecting both the expansion of our European financing franchise and a growing opportunity set, our European high yield debt underwriting volumes grew by more than 3 times over the past 5 years. We continue to see significant opportunity in the European debt capital markets, which have significant room to expand.

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The second opportunity related to the low rate environment is helping our investment management clients. Low rates have been a particular challenge for clients managing long-term liability portfolios – such as insurance companies and pension funds.

Within Goldman Sachs Asset Management, we have dedicated teams focused on these important clients, including an Insurance Advisory Group and a broader Advisory Solutions team. Since 2009, we've seen the assets in our Insurance Advisory Group increase nearly 2-fold to \$114 billion. While we believe we are among the global leaders in this area, the opportunity remains substantial. The amount of outsourced

insurance assets is expected to grow from \$1.6 trillion last year to nearly \$2.6 trillion by 2019.

We also supervise \$57 billion of outsourced assets via our investment advisory solutions team, which focuses on Asset Liability Management for pension fund clients – as well as asset allocation and risk management. In April we announced the bolt-on acquisition of the Pacific Global Advisors pension portfolio. It included over \$18 billion of assets under supervision, broadening our client relationships and deepening our scale in Advisory.

Looking forward, given growing client demand for both insurance and pension outsourcing, we see a \$100 to \$150 billion asset opportunity for the firm over the next 5 years.

While the pace and magnitude of future interest rate changes will be heavily debated, we believe we are well positioned for any outcome. If rates remain low, we will continue to help our corporate clients access affordable financing and we will continue to connect our investing clients to these opportunities. If rates rise, we will help our investing clients navigate that transition. Certain products like our money market funds will become more relevant. If rising rates coincide with accelerating economic growth, our clients are more likely to expand their businesses to meet growing demand. And our own activity levels should grow in tandem.

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The third trend impacting our clients is diverging monetary policies, which has a number of implications. In the first quarter of this year, as more normal levels of volatility began to re-enter the market, our clients experienced a better start to the year. Not surprisingly, this coincided with higher activity levels, and therefore better results for us.

To illustrate the point, consider several examples where higher volatility translated into higher client activity and strong results in the past year.

In the first quarter of 2014, a significant increase in natural gas prices created a better operating environment and an increased opportunity set. Commodities volatility increased by about 30% and our commodities revenues increased more than 3-fold.

In the third quarter of 2014, a roughly 40% pick-up in FX volatility amid idiosyncratic market events and strong-dollar trends drove greater client activity. In response to the heightened activity, our Currencies revenues increased more than 2-fold.

And finally, this past quarter, the expectation of higher US rates, versus accommodative monetary policy in Europe, drove a 25% increase in volatility and a corresponding increase in activity. This drove a 1.8 times increase in revenues.

These examples show the revenue leverage of our franchise. While higher volatility may not drive greater activity in every quarter, we believe the macroeconomic policies driving this dynamic remain intact. Again, this is another trend we believe will have significant durability in the coming years.

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The fourth key trend affecting not only our clients, but also us, is the pace of change in technology. Whether mobile connectivity, the increasing use of open source software or cloud computing, the impact on our clients and the business landscape is significant.

As a result, technology is impacting not only how we engage our clients but also how we run our business. We invest in technology for multiple reasons. First, to manage our risk and efficiently allocate our scarce resources, and second to create new commercial opportunities. After all, we are in many ways a technology firm, with about one quarter of our employees in the Technology division.

There are a number of key technology investments we have made that we see as providing us with unique competitive advantages. One example is SecDB, which is our unified pricing and risk management system. It's the platform we use to calculate 23 billion prices daily across 2.8 million positions and 500 thousand market scenarios.

Relative to a patchwork of individual systems – we view SecDB as a significant competitive advantage.

As I mentioned earlier, another key investment that we have made is our ROAE Capital Framework. This has been a dynamic project that we have continued to refine over the past 3 years. It provides a top-down and bottom-up capital allocation process integrating various overlapping constraints including Basel 3 and CCAR stressed capital.

On the right hand side of the page, we highlight two unique commercial opportunities: Symphony and Marquee. Symphony is a cloud-based, encrypted platform for secure instant communication. We contributed the software code created in-house at Goldman Sachs, and then spun it out of GS into its own separate company earlier this year. We are also helping build a consortium of Symphony users across the buy-side and sell-side. In the future, we expect Symphony to serve as an industry distribution platform to safely and securely communicate ideas, disseminate pricing and requests for quotes and help simplify trading workflow.

Marquee is another important commercial opportunity for the firm. It is our open architecture web technology platform for electronically delivering a variety of cutting-edge services and capabilities to institutional clients. Marquee is more than a single product. It offers our clients a portfolio of web services and applications. Marquee gives them access to the same risk management and analytical tools we use in house – powered on the back-end by SecDB.

These applications and services span the investment cycle and asset classes, enabling clients to better connect with our content, trade ideas, analytics and execution – as well as to monitor and optimize trades after execution.

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Let me show you a few examples. Here is a sample of some of the Marquee applications we have developed to address all of the phases of what we call the “transaction life-cycle”.

Starting at 12 o'clock, we have GS Markets, which provides live streaming prices for global equity markets, commodities, rates across both bonds and swaps, and over 100 FX crosses. GS Markets also gives clients access to the latest intellectual capital from our Institutional Client Services businesses and research teams.

The second example at 3 o'clock is our new online marketplace for structured investments – it's called SIMON – which stands for Structured Investment Marketplace and Online Network. SIMON is an important platform initiative. It's specifically designed to help our clients learn about structured investments and execute transactions. It's also a great example of the firm using technology to become more efficient and widen our commercial impact. In this instance, it allows us to access a new third-party distribution channel among independent and regional firms. The effort is in the early stages, but in roughly 12 months 18 brokerage firms have signed onto the platform, giving us access to thousands of advisors who represent client assets of roughly \$2 trillion.

A third example of our capabilities is Marquee Trader – which is our electronic execution platform for FX and Commodities. The application we give to clients sits on their desktops, and is the same system our internal sales people use. Last quarter, average daily trading volumes were more than \$10 billion for our clients on Marquee trader, up over 40% year-over year. This increase in volumes has been driven by both improving market dynamics and rising user adoption, with the user base running up more than 20% year over year.

For the last two Marquee applications that I'd like to highlight, we'll focus on post-trade and portfolio construction capabilities.

At 7 o'clock, we have our Trade Tracker application, which helps clients monitor transactions and manage positions as market conditions change. Currently our clients use Trade Tracker to get detailed, real-time analytics and ideas for restructuring options portfolios.

The tool can analyze theoretical new trades, assess the impact to existing exposures, and send clients alerts based on a variety of customized triggers. Right now Trade

Tracker is used by our FX options clients and internally for Equity options, but will be available externally for our Equities clients very soon.

The last example I'd like to quickly highlight is a new cross-asset class tool called Strategy Studio. Strategy Studio allows clients to quickly build and analyze a custom investment strategy using indices and GS baskets across both equities and fixed income. The tool also provides back-testing, and advanced capabilities to monitor and manage portfolios on a daily basis.

Taking a step back, I hope that through these five examples I was able to show how we are using technology to empower clients and differentiate our franchise.

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In conclusion, today I discussed 4 trends. However, there are many other trends we did not discuss that are also affecting our clients, including consolidation in the asset management industry, the impact from lower energy prices, shale, renewables and the "New Oil Order", global demographic trends, including aging baby boomers and millennials in the US, or the growth of global capital markets.

We believe these trends, and several others, in addition to the four trends we highlighted, show that our clients need our services more than ever, and that we are well placed to meet their needs.

We are operating from a position of strength. We have transformed our financial profile. We have restructured our expense base. We have been efficient managers of capital and created robust tools and processes to inform our capital allocation decisions. We have a strong position within each of our businesses, having sold or shut down businesses that were likely to be dilutive to returns going forward. We have an improving competitive position given the numerous challenges facing the industry. And, we are well positioned to capture opportunities as the cyclical environment improves.

Thanks very much, and I'm happy to take your questions.