

The difficult business and economic climate throughout much of the world in 2002 produced unprecedented challenges for both users and providers of capital. It also created unexpected opportunities for those who were able to seize them.

For Goldman Sachs, our clients' expectations were high: clarity at a time of uncertainty, strategies to bolster liquidity today and growth tomorrow, and prompt execution on their behalf despite troubled markets.

*Certain characteristics define Goldman Sachs, our people and how we do business:
We focus on our clients and their best interests and outcomes;
We work as a team because the whole really is greater than the sum of its parts; and
We are determined to turn adverse market conditions into future opportunities.*

We cannot control external forces but we always strive to meet our own high standards of professionalism, excellence and integrity, regardless of the environment. The results are long-term client relationships that span geographies and decades, and a position of leadership within global markets that is the foundation for success in the years to come.

Defining Client Relationships

In 2002, declining equities markets and volatile debt markets, increasing levels of risk and market uncertainty made decision-making extremely difficult for management teams across virtually every industry — and raised the stakes of action or inaction considerably. For Goldman Sachs only a few things were certain: we would stay close to our clients, listen to their concerns, and offer our best thinking and our most objective advice.

Where it made sense for our issuer clients, we engaged our global distribution

capabilities in an effort to tap the most attractive and efficient markets to meet their needs. For our investor clients, we worked to identify and develop opportunities that met their investment objectives.

We have spent significant amounts of time with our clients, helping them allocate assets, evaluate risk, hedge their exposures and enhance shareholder value. Most companies can excel in an up market, but experience, expertise and superior execution make a difference for clients when things get difficult.

“We were determined that we were going to show the world that the business could be done at a high level where the client would come first.”

—Al Feld, who celebrates his 70th anniversary with Goldman Sachs in 2003

LONDON FIXED INCOME



FRANKFURT FIXED INCOME AND BANKING



FRANKFURT FIXED INCOME



E.ON — NAVIGATING THE CHALLENGE OF ENTERING NEW MARKETS

Goldman Sachs has worked closely with E.ON, the German-based power giant, and its predecessor firms for several years. Last spring, E.ON wanted to take a new direction: although the firm had not been an active issuer of debt securities in the past, it now sought the flexibility of access to the public markets. Conditions were less than ideal in mid-May,

and several other issuers chose to postpone or restructure transactions. Goldman Sachs believed E.ON could come to market—and E.ON put its trust in Goldman Sachs, the only U.S. bookrunner in the offering.

Tapping into its deep investor base, Goldman Sachs laid the groundwork with an extensive marketing effort that reached a large audience

of portfolio and asset managers. The Goldman Sachs sales team then focused on those managers who demonstrated interest in E.ON and appetite for its debut debt issue. The result was a record-breaking €7.3 billion offering, and another step in a long relationship between Europe's largest investor-owned energy service provider and Goldman Sachs.

HONG KONG BANKING
AND CAPITAL MARKETS



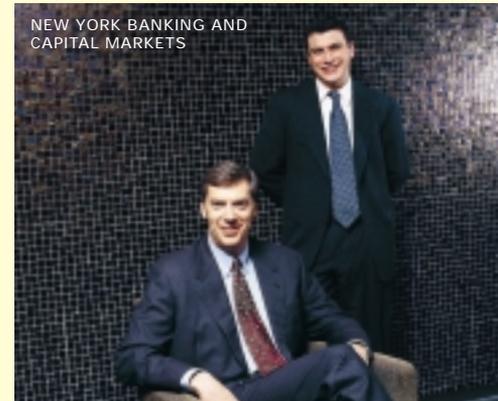
NEW YORK EQUITY
CAPITAL MARKETS



HONG KONG BANKING AND
LONDON CAPITAL MARKETS



NEW YORK BANKING AND
CAPITAL MARKETS



BANK OF CHINA — A MODERNIZATION AND TRANSFORMATION PROCESS

Goldman Sachs has had a long relationship with the Bank of China Group, dating back to the 1970s. Beginning in 2000, Goldman Sachs assisted the company in formulating and implementing its restructuring plans. A critical element of these efforts was the consolidation and listing of its commercial banking operations

in Hong Kong, and we acted as the financial advisor for this process.

In October 2001, Bank of China (Hong Kong) was successfully formed through the merger of Bank of China's 12 subsidiary banks and one credit card company. This merger was not only Hong Kong's largest bank merger but also one of the most complicated.

Goldman Sachs further advised the company on its July 2002 listing on the Stock Exchange of Hong Kong, which raised \$2.7 billion. This highly successful and historic IPO was the first international stock listing by a mainland bank, and paved the way for broader financial change within China.

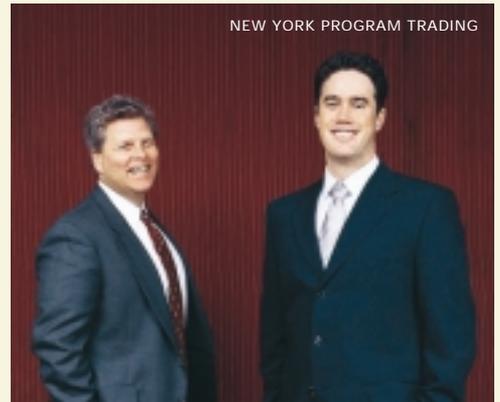
BOSTON EQUITIES SALES TRADING



NEW YORK PROGRAM TRADING



NEW YORK PROGRAM TRADING



BOSTON EQUITIES RESEARCH SALES



PUTNAM INVESTMENTS—SIGNIFICANT TRANSACTIONS DESPITE TURBULENT MARKETS

Putnam Investments and Goldman Sachs have enjoyed an exceptionally strong relationship built over a long period of time—a relationship that has spanned multiple products including equities, derivatives, capital markets, trading and investment research.

Over the last several years, Putnam Investments has also come to look at Goldman Sachs as a trusted advisor. In 2002, Putnam Investments and Goldman Sachs worked closely together to evaluate and implement a number of significant portfolio

restructurings. A great deal of collaboration and analysis led up to these transactions and they were executed successfully despite turbulent conditions in the marketplace.

GLOBAL RELATIONSHIP MANAGEMENT— SUCCESS THROUGH CLIENT FOCUS

Goldman Sachs' Global Relationship Management team (GRM) brings together two of our most deeply held principles: client focus and teamwork. Their mandate is to think broadly and

strategically about the financial alternatives for our clients. In effect, GRM is at the intersection of our clients' needs and Goldman Sachs' capabilities. Teamwork and client

focus come together in GRM to create a level of service to our clients that can be identified as uniquely Goldman Sachs.

TOKYO



NEW YORK



LONDON



PRIVATE WEALTH MANAGEMENT— EXPERTISE AND EXPERIENCE

Especially in today's challenging environment, wealthy families look to Goldman Sachs for advice and guidance in developing investment strategies. The financial markets are highly interdependent, and successful investment portfolios require global perspective, leading-edge knowledge and individualized strategy.

Goldman Sachs' approach to wealth management is simple: we believe our private clients are best served by dedicated teams who are committed to delivering our broad investment management capabilities and other resources of the firm to those clients in order to meet their individual objectives.

The force of the team's combined knowledge and experience provides our clients with a disciplined approach to portfolio strategy and management and the outstanding client service that is the hallmark of a Goldman Sachs relationship.



chapter ii

Defining Teamwork

Organizations succeed because of the caliber of people they attract. Goldman Sachs succeeds because it attracts people of very high caliber, people who want to work together to achieve something greater than they could achieve on their own. That desire and ability to be part of a team is fundamental to our culture, our business principles and, we believe, our long-term success.

Since the firm's founding in 1869, Goldman Sachs has focused on teamwork rather than solitary effort. That so many

individuals have left their mark on the firm, and continue to do so today, is evidence that even the strongest performers know the value of adding rather than subtracting perspectives, skills and insights. We put tremendous resources and effort into finding the right people and helping them build satisfying careers at Goldman Sachs because time has proven the powerful, positive force of talented people working as one.

"The point is this team thing, the cooperation, teamwork, and our culture was developed not because someone was a genius and woke up in the middle of the night when the little electric light popped. It really came from the needs of the moment. It's good, solid business. You want to have people working together to achieve an objective."

—John L. Weinberg, Partner 1956–1990

NEW YORK FIXED INCOME AND FINANCE



LOS ANGELES AND NEW YORK BANKING



NEW YORK FIXED INCOME



LOS ANGELES BANKING



PROVIDIAN FINANCIAL—REBUILDING SHAREHOLDER VALUE

As 2001 ended, Providian, the large consumer credit company and a long-time Goldman Sachs client, faced serious problems that threatened its liquidity and caused its stock price to fall significantly. Realizing that quick and comprehensive action was needed, Goldman Sachs brought together investment banking and

fixed income professionals who worked on Providian's behalf throughout much of 2002.

The team structured a series of complex transactions for Providian and executed them in difficult markets, including the sale of Providian's Master Trust and its credit card business in the United Kingdom.

Goldman Sachs also securitized and provided the equity to fund the sale of \$2.4 billion of Providian's higher risk assets. Months of consistent and dedicated efforts led to a dramatic restructuring of Providian's balance sheet and improved its prospects.

GLOBAL RECRUITING TEAM — A NEW FIRMWIDE APPROACH

Talent is the most important asset we have. It's not just something we say but a fact that drives our performance and our decisions every day. In all Goldman Sachs hires, we look for individuals who will bring their intelligence, energy and dedication to bear on our clients' most significant problems. And we continually assess and refine our practices to make sure we can fulfill

this goal. Over the past year, we have strengthened our focus on presenting ourselves as one firm. By doing this, we interview for the firm first and for individual businesses second—ensuring that we don't miss out on talent by defining our criteria too narrowly.

This new firmwide approach has allowed us to streamline our recruiting efforts through a more closely coordi-

nated global process. Recruiters and other Goldman Sachs professionals work together to give recruits the best and most accurate perspective on the career opportunities Goldman Sachs has to offer. Both cost-effective and efficient, this new approach helps us reach a diverse pool of candidates and seek the best person for every job at Goldman Sachs.

LONDON



NEW YORK



HONG KONG



ZORGVERZEKERAAR VGZ (VGZ) — GLOBAL COORDINATION AND DETERMINATION

Our clients reap the benefits of the diversification of Goldman Sachs Asset Management, and as we work more closely with them, those benefits increase proportionately. For five years, the Goldman Sachs Asset Management team served as one of four portfolio managers for VGZ, one of the largest specialized health insurance companies in The Netherlands. When

VGZ decided to elect a sole fiduciary manager last year, approximately 15 firms competed. Our client relationship team in London and our portfolio teams in New York set to work to reaffirm our investment capabilities and our commitment to VGZ. After a lengthy selection process, Goldman Sachs was chosen to serve as VGZ's sole fiduciary manager. Taking on

VGZ's approximately €1 billion account required the seamless integration of our asset allocation, benchmarking, risk budgeting, manager selection and manager monitoring capabilities. This kind of inter-product and cross-regional effort is made possible through the dedicated teamwork that characterizes Goldman Sachs.



LONDON SALES AND MARKETING TEAM



NEW YORK QUANTITATIVE RESOURCES



NEW YORK LEGAL AND QUANTITATIVE RESOURCES



NEW YORK QUANTITATIVE RESOURCES

chapter iii

Defining Determination

With few exceptions, the markets were not kind in 2002. Market participants that could tap into their institutional memory and hard-earned experience of living through other down cycles and that could take advantage of strong, positive, enduring cultures had a real edge over those that could not.

Firms remind themselves that nothing lasts forever. Goldman Sachs leaders reminded their teams, in the boom years of the 1990s, that “trees don’t grow to the sky.” They pointed to past generations of Goldman Sachs leaders who saw periods of great success but also had to wrestle with times of crisis.

Our disciplined management approach, our financial prudence and the strength of our core franchise have paid off this year, as we have continued a leadership position in our most important investment banking businesses.

Over the past 133 years, Goldman Sachs and its people have been tested by adverse markets, economic conditions and events. We have survived and grown stronger and more successful as a result of that passage, and it has defined the characteristics of the organization.

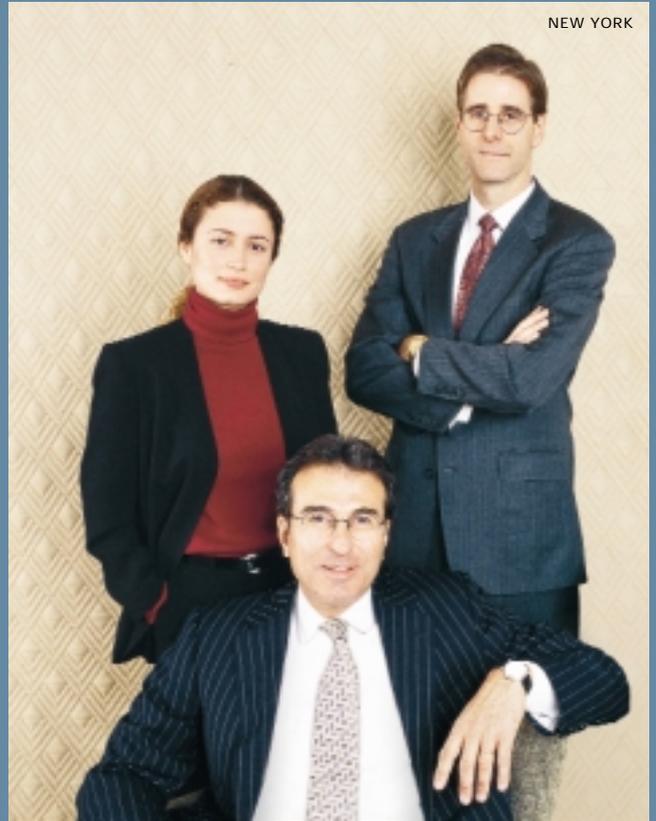
“You may remember... that in the merchandise panic of the early '20s, one of our clients had to step into the market and issue short-term notes. I doubt very much that anyone who was not familiar with the personalities and the history of the business could have done that job [as we did], or would have wanted to do it, would have put their shoulder to the wheel. In other words, it isn't always a bed of roses, this business.”

—Walter Sachs, Partner 1908–1959

MILAN



NEW YORK



TOKYO



NEW YORK



INVESTMENT BANKING — LEADERSHIP AS A FIXED POINT IN A CHANGING MARKET

Despite the dramatic downturn in corporate activity, Goldman Sachs remained a market leader in Investment Banking, ranking number one in announced and completed global mergers and acquisitions and in worldwide public common stock issuances.⁽¹⁾ And while business volumes declined, we continued to

strengthen existing relationships and establish new client relationships through an unmatched combination of thoughtful, strategic analysis and advice, superior execution and a commitment to absolute integrity in everything we do.

2003 will continue to provide challenges as well as opportunities.

Our clients need objective advice and nimble strategies as they reevaluate their growth opportunities and consider various types of transformations.

Our pursuit of excellence and commitment to provide thoughtful and balanced financial advice to our clients will never lag, even in difficult years.

⁽¹⁾ Thomson Financial Securities Data — January 1, 2002 through December 31, 2002.

NEW YORK



NEW YORK



FIXED INCOME, CURRENCY AND COMMODITIES (FICC)—CUSTOMIZED SOLUTIONS IN A TURBULENT YEAR

Goldman Sachs seeks to develop innovative approaches to help clients during volatile times. In the active and uncertain market environment of 2002, FICC helped its clients manage a variety of risks, including those related to commodities, credit, currencies, interest rates and liquidity.

FICC teams worked tirelessly to assist clients in their efforts to

effectively hedge their risk exposures by creating customized derivative-based and other structured solutions. In addition, FICC maintained its commitment to being an active market-maker in a broad variety of products, thus providing market liquidity and facilitating client trades. These activities demonstrated that, even in the most volatile of times,

our clients can look to us to meet their varied needs.

FICC's commitment to its clients drove record net revenues and strong performances across many of its businesses.

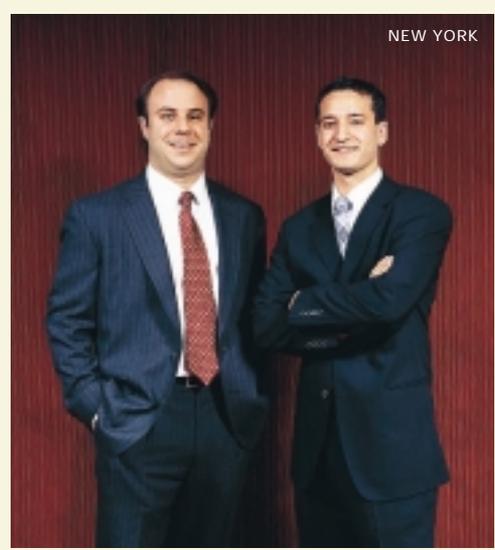
HONG KONG



LONDON



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GOLDMAN SACHS ASSET MANAGEMENT—GLOBAL INVESTMENT RESOURCES

Goldman Sachs Asset Management's clients faced many concerns as equities markets declined for the third straight year. Challenges included pension funding status, asset allocation, expected future returns and market uncertainty. For many investors, the issues were global. Goldman Sachs Asset Management

leveraged its worldwide team of investment professionals to provide portfolio management expertise, timely investment research, detailed portfolio analytics and risk management resources to help our clients address their concerns.

This level of client commitment contributed both to significant

mandates from new clients and to additional assets from certain existing clients. As a result, despite significant market depreciation, Goldman Sachs ended the year with approximately the same level of assets under management as the prior year, at \$348 billion.



EQUITIES — DEEPENING CLIENT RELATIONSHIPS

While Goldman Sachs' equities businesses could not escape the difficult market conditions that were pervasive in 2002, we continued to benefit from the scale and efficiency of our global equities businesses, and the success of our focused effort to deepen client relationships. We view both—our unique client franchise, and the size of our

business—as critical to our leadership in equities going forward.

Last year, there were a number of large convertible transactions and rights offerings, privatization success stories and significant block trades. We entered new markets, created new products and continued to enhance our service to the whole array of institutional clients, executing

transactions for them in products that had not been available 12 months before. And as we and our clients learn to operate in this environment, we gain insight into how best to serve our clients in the years to come. These experiences will carve the path to even stronger relationships and continued opportunities in the future.

