

## Cautionary Note on Forward-Looking Statements

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Today's presentation may include forward-looking statements. These statements represent the Firm's belief regarding future events that, by their nature, are uncertain and outside of the Firm's control. The Firm's actual results and financial condition may differ, possibly materially, from what is indicated in those forward-looking statements. For a discussion of some of the risks and factors that could affect the Firm's future results and financial condition, please see the description of "Risk Factors" in our current annual report on Form 10-K for our fiscal year ended December 2012.

You should also read the information on the calculation of non-GAAP financial measures and the impact of Basel 3 that is posted on the Investor Relations portion of our website: [www.gs.com](http://www.gs.com).

The statements in the presentation are current only as of its date, May 30, 2013.

# Goldman Sachs Presentation to Sanford C. Bernstein Strategic Decisions Conference

**Gary Cohn**  
**President and Chief Operating Officer**

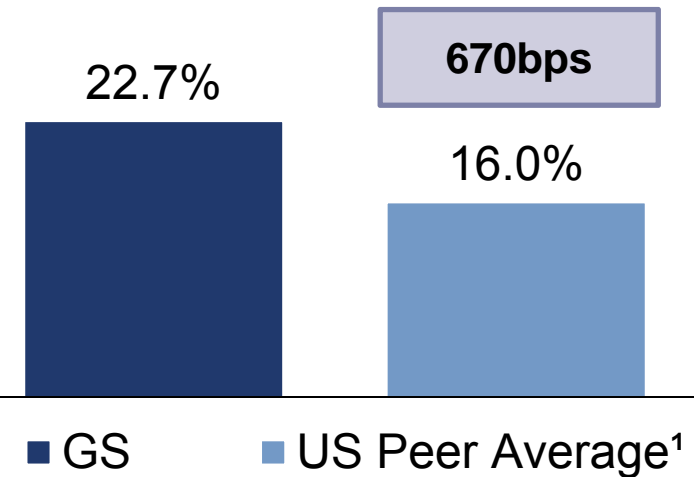
May 30, 2013

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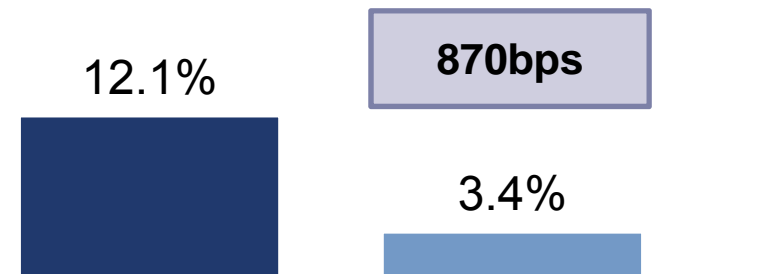
## Goals Through the Cycle

- Through the Cycle
  - Generate superior returns
  - Pay for performance
  - Maintain conservative financial profile
  - Return excess capital
  - Grow BVPS
- Cyclical lows
  - Deliver strong relative returns
  - Expense discipline
  - Protect the client franchise
- Cyclical highs
  - Capture revenue upside
  - Deliver operating leverage
  - Expand client franchise

## Pre-Crisis ROE 1999-2007

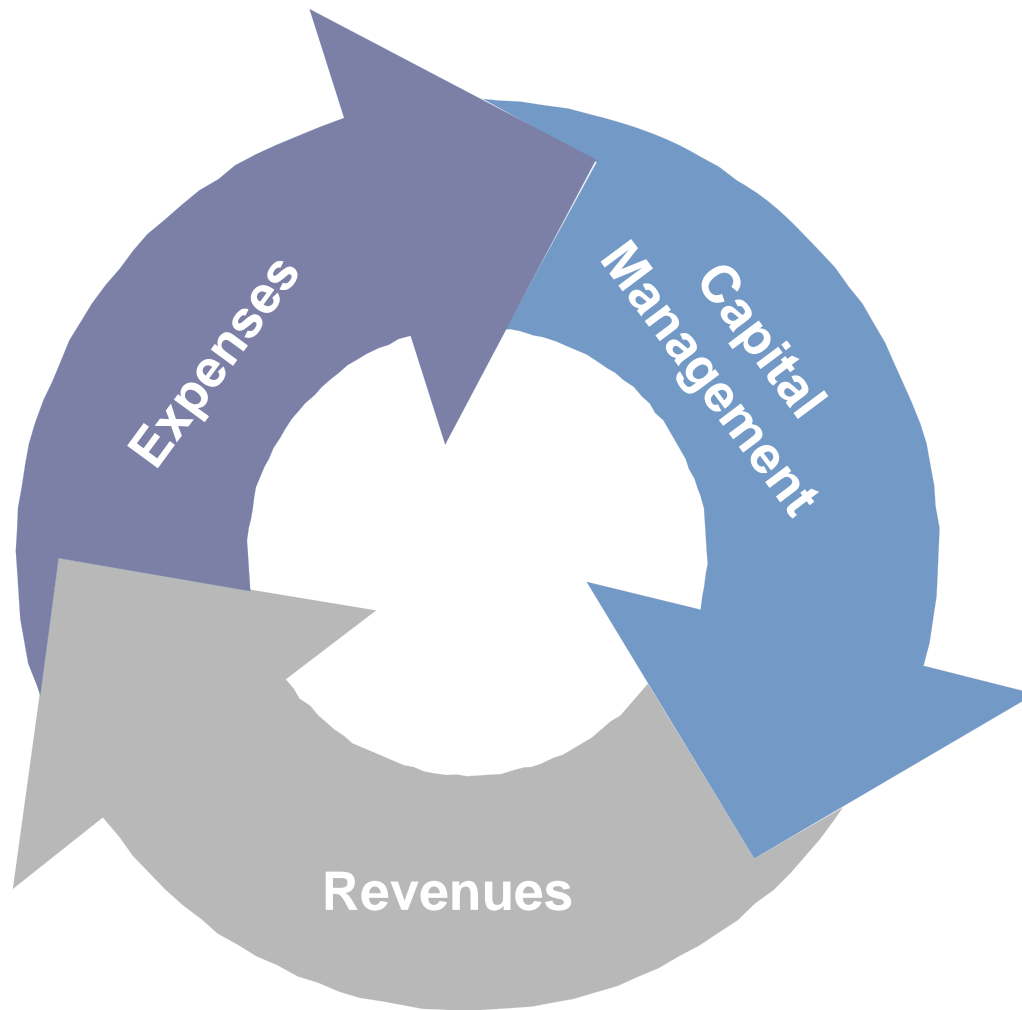


## Post-Crisis ROE 2009-2012



<sup>1</sup> Pre-Crisis peer group includes MS, JPM, BAC, C, MER, LEH and BSC; Post-crisis peer group includes MS, JPM, BAC and C

# Levers to Improve Returns

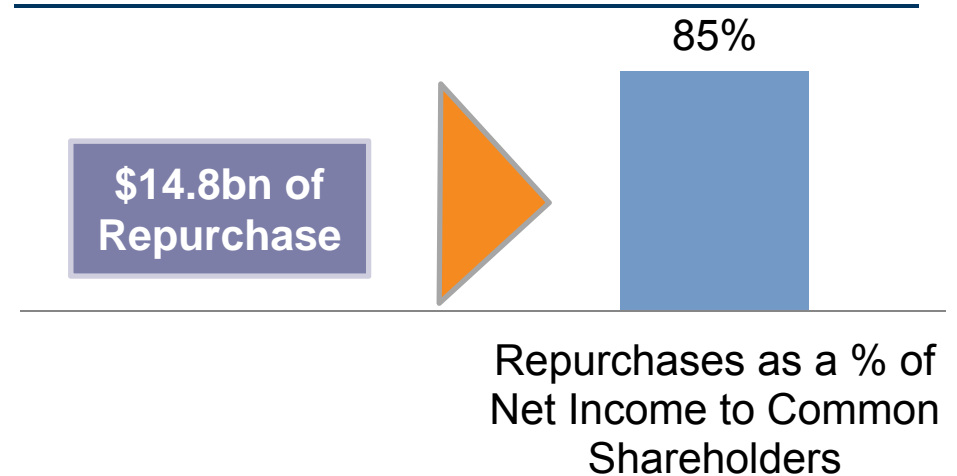


# Capital Management

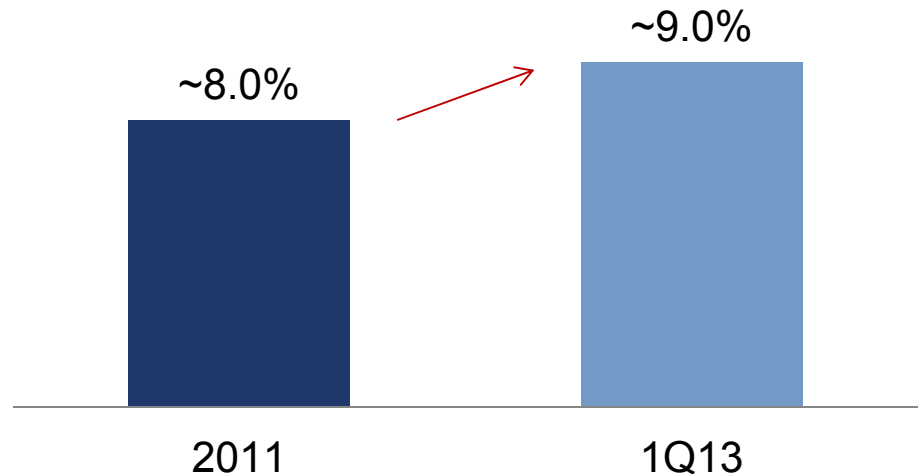
## Balancing Regulatory and Shareholder Requirements

- Committed to return excess capital to shareholders over time with a primary focus on share repurchases
- \$14.8bn of share repurchases
  - Net reduction in shares outstanding of 50mm or 10% since 2009YE
- Steadily build capital to achieve long-term regulatory requirements
  - Increased Basel 3 Tier 1 common by ~100bps since 2011YE
  - Pushing capital optimization tools down to the business level
  - Targeting a Basel 3 Tier 1 Common ratio of approximately 9.5%

### 2010-2012 Share Repurchases



### Estimated Basel 3 Tier 1 Common Ratio

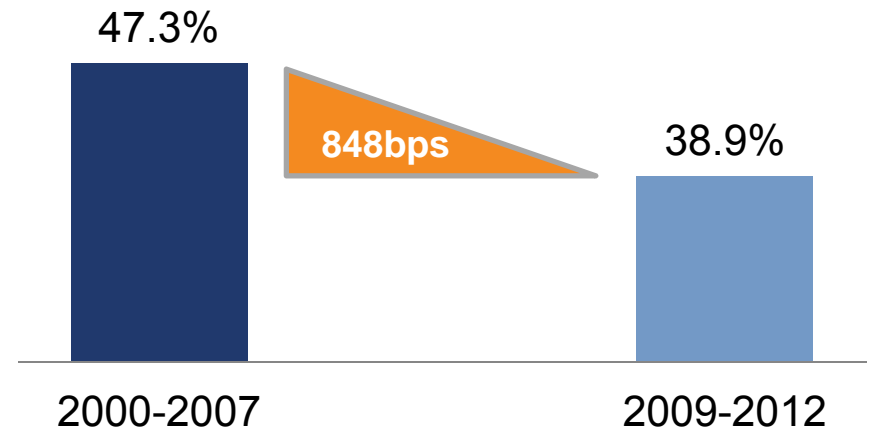


# Expenses

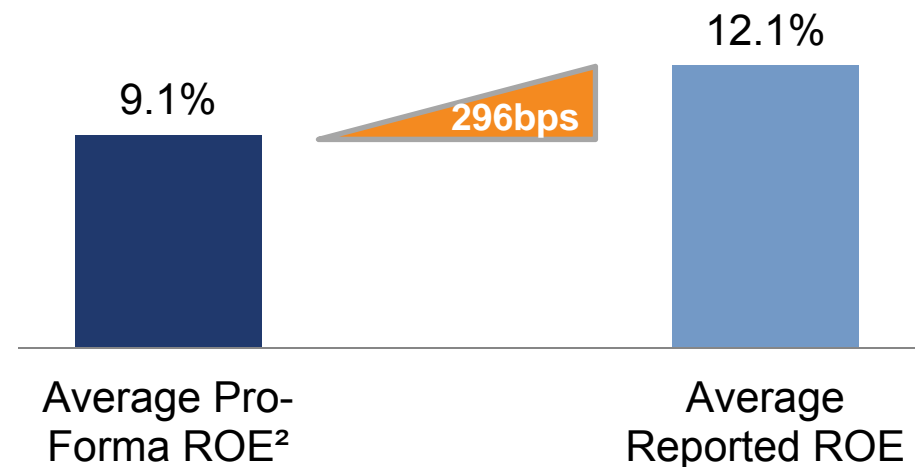
## Committed to Shareholder Returns

- Track record of disciplined expense management
  - Announced \$1.9bn run-rate cost reduction program
  - 1Q13 headcount down 10% since 2010
  - Shifted staff to High Value Locations (e.g. Bangalore and Salt Lake City)
  - Initiated plan after posting a relatively strong first quarter in 2011
  - Positioned the firm to generate positive operating leverage, as demonstrated in 2012
- Remain focused on efficiency and efforts will intensify if revenue environment does not improve

### Average Compensation Ratio<sup>1</sup>



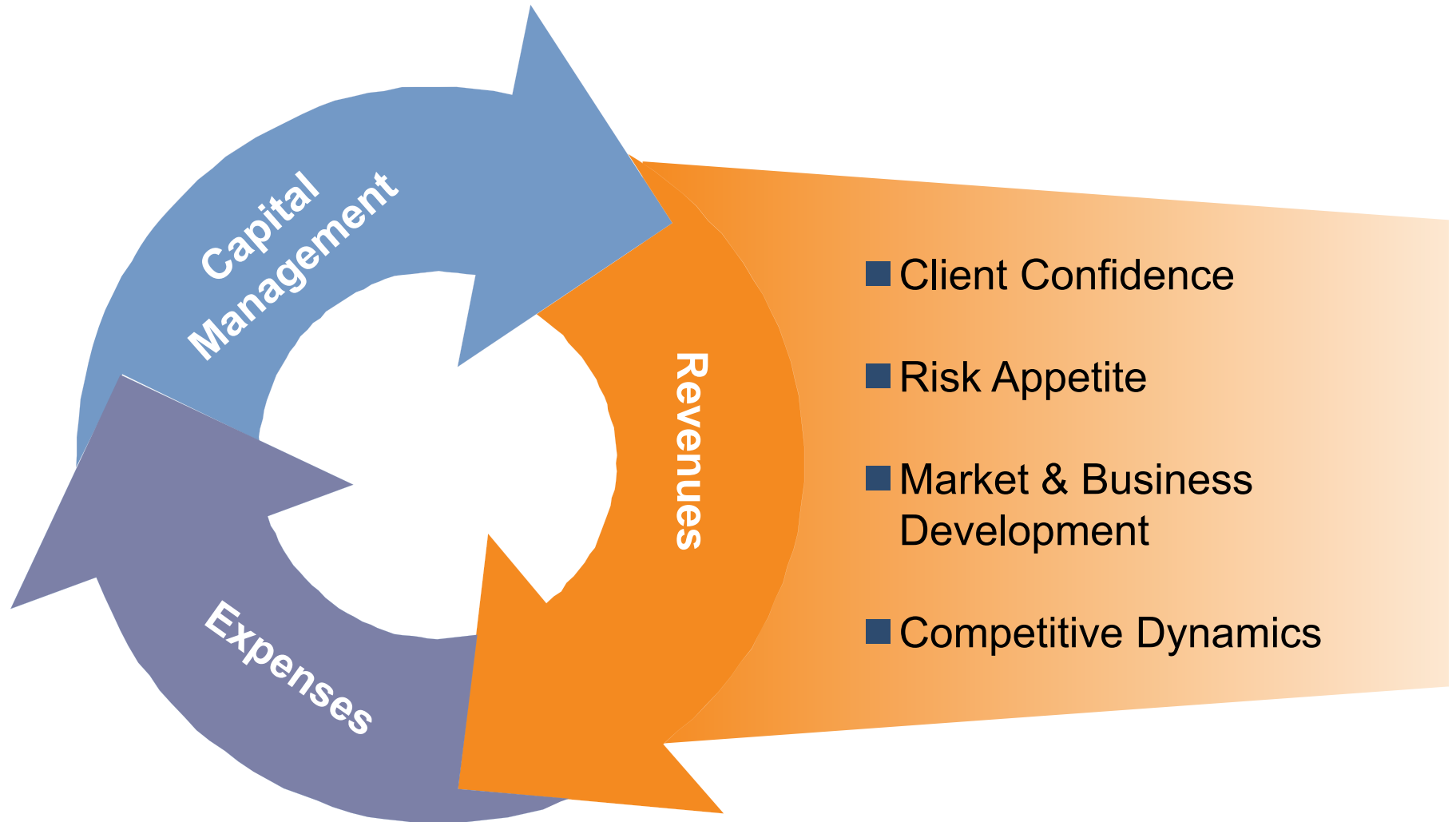
### Benefit of Lower Comp Ratio - 2009-2012 ROE



<sup>1</sup> Compensation Ratio is defined as Compensation Expense as a percentage of Total Net Revenues. Compensation Expense includes employee initial public offering and acquisition award expenses, if any, except for nonrecurring employee initial public offering and acquisition expense in 2000 of \$290mm

<sup>2</sup> Average Pro-Forma ROE is a non-GAAP measure, representing the average ROE impact post-crisis (2009-2012) of using the 47.3% average compensation ratio pre-crisis (2000-2007)

# Levers to Improve Returns

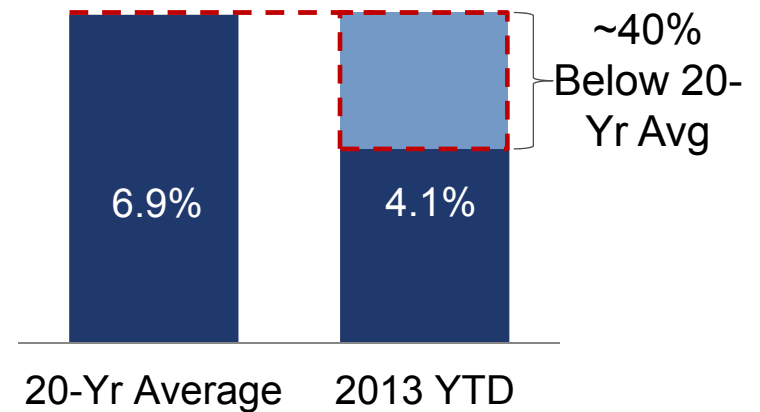


# Client Confidence

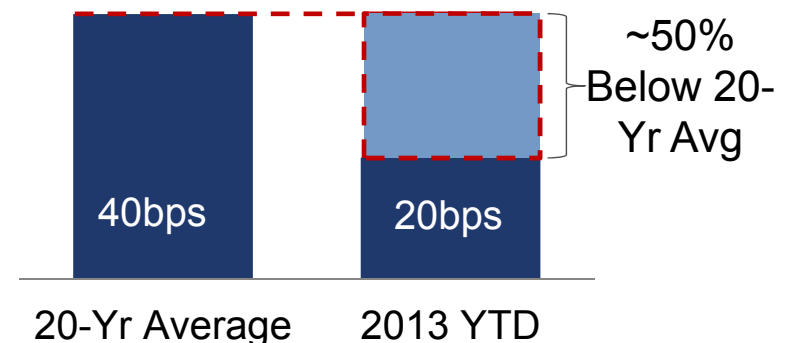
## M&A and IPOs

- Amid challenging backdrop, GS shows continued leadership in worldwide M&A and equity offerings
- Closing half of the gap to 20-year average activity levels would result in:
  - Global industry M&A volumes rising 33% to over \$2.8 trillion<sup>2</sup>
  - Global industry IPO volumes increasing nearly 50% to over \$170 billion<sup>2</sup>

**Global Announced M&A as % of Global Market Capitalization<sup>1</sup>**



**Global IPO Activity as a % of Global Market Capitalization<sup>1</sup>**



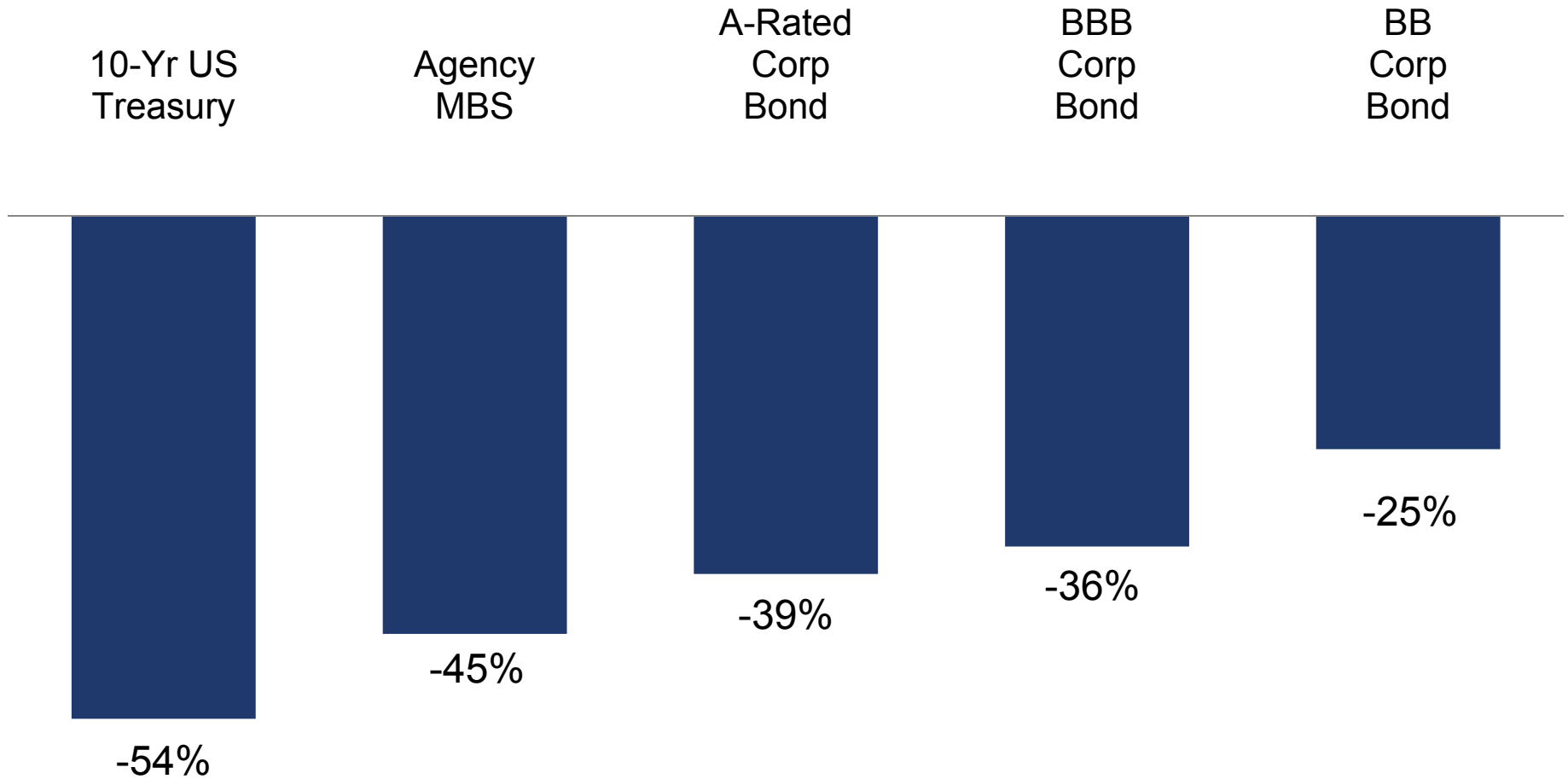
<sup>1</sup> M&A volumes per Thomson and IPO volumes per Dealogic; Global Market Cap per FactSet; M&A and IPO volumes are extrapolated as of 5/1/2013

<sup>2</sup> Potential increase relative to the extrapolation of 2013 year to date activity



# Low Interest Rates Driving Investors Up the Risk Spectrum

## Yield Compression Across Asset Classes Since 2004YE<sup>1</sup>

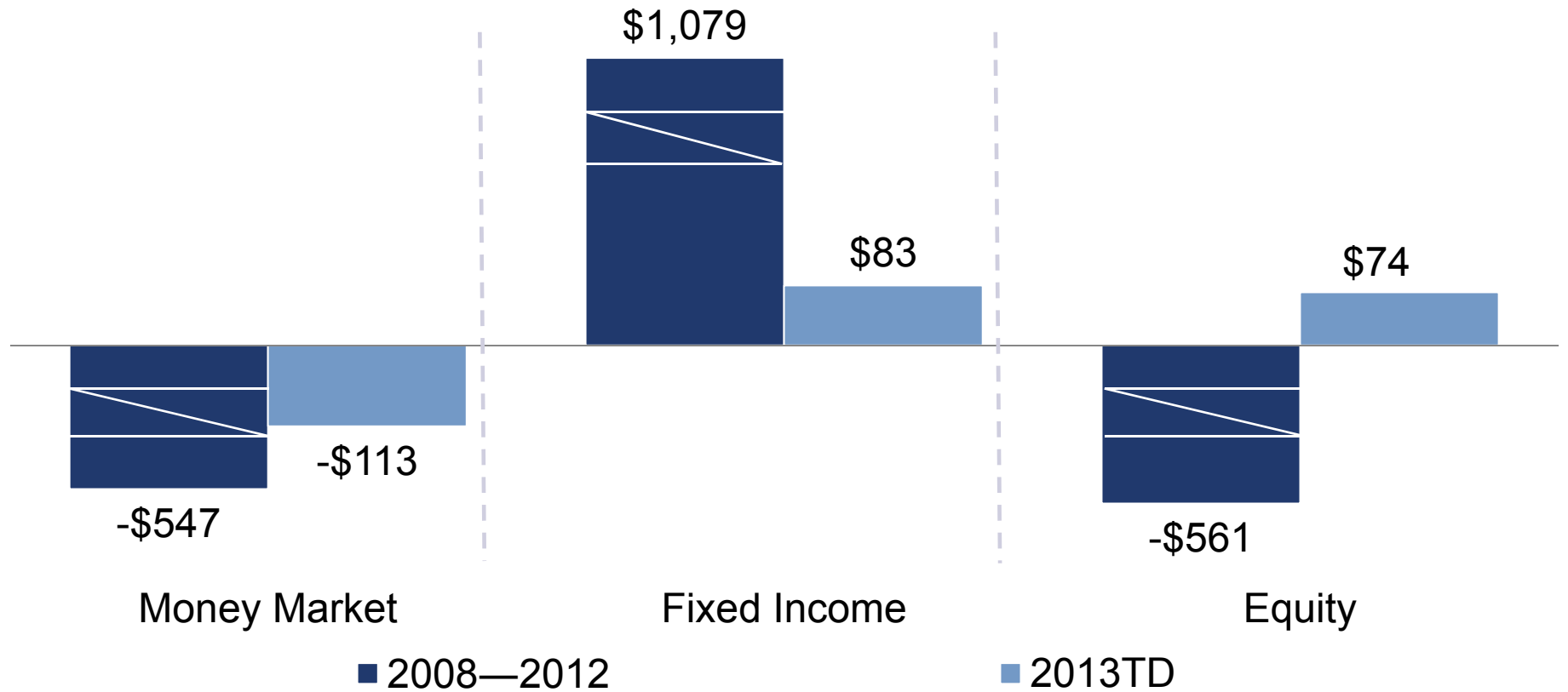


<sup>1</sup> Data from Bloomberg. 12/31/2004 compared to 5/15/2013

# Risk Appetite Fund Flows



US Fund Flow Trends (\$bn)<sup>1</sup>

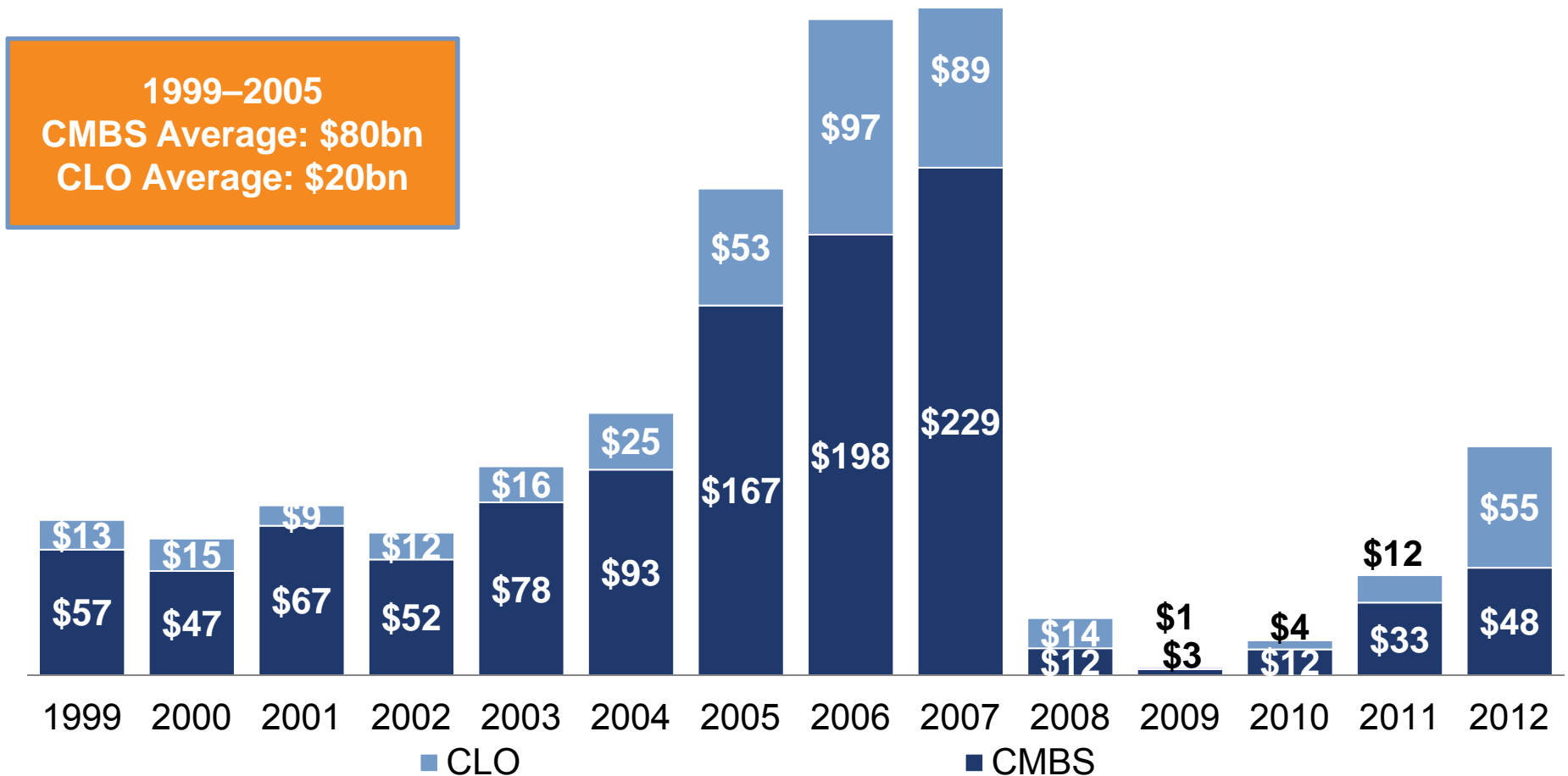


<sup>1</sup> Fund Flow Data sourced from ICI, AMG/Lipper Data Services, Goldman Sachs Research; 2013 data as of 4/24/2013

# Securitization Issuance

## Financing Markets Are Beginning to Rebound

CMBS and CLO Issuance (\$bn)



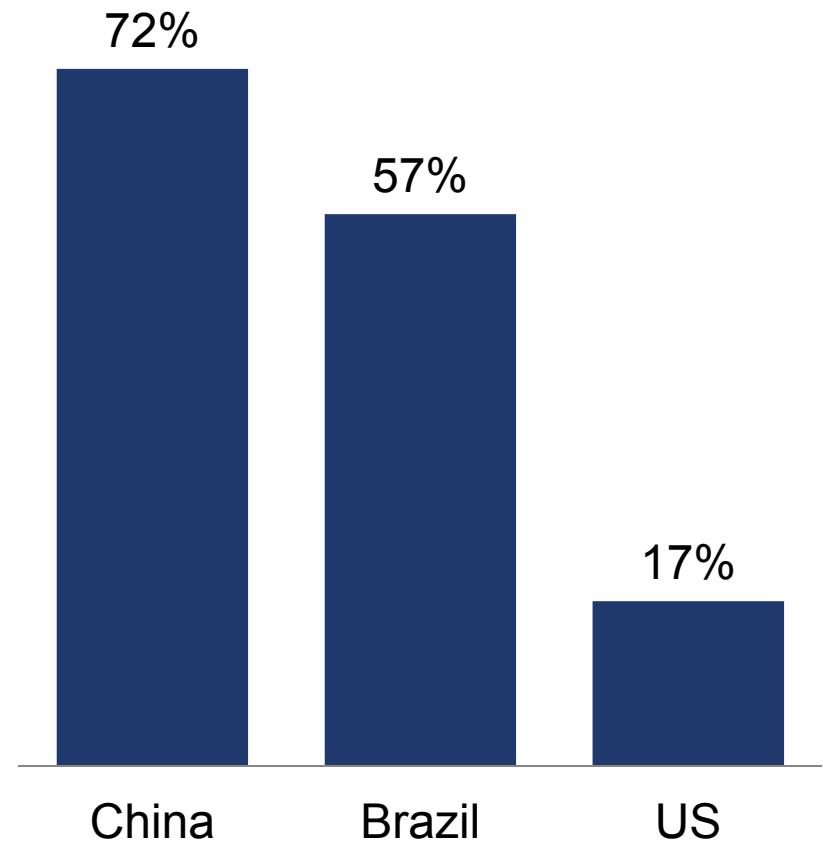
Source: Securities Industry and Financial Markets Association (SIFMA) and Non-Agency CMBS data from Commercial Mortgage Alert

# Global Market Development

## Secular Growth Opportunities

- Emerging economies poised for long-term growth and need for financial intermediaries:
  - Natural progression for investors from deposits to higher yielding assets
  - Requires further development of available investment products and capital markets
  - Capital markets also provide companies with an attractive alternative for raising financing

2012YE Deposits as a Percentage of Total Financial Assets<sup>1</sup>



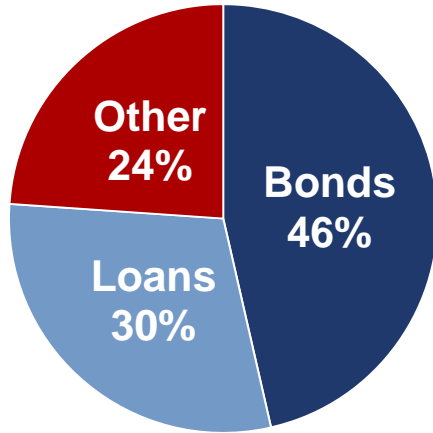
<sup>1</sup> Total Chinese, Brazilian and US financial assets include fixed income public assets, public equities and bank deposits as available

# Market Development

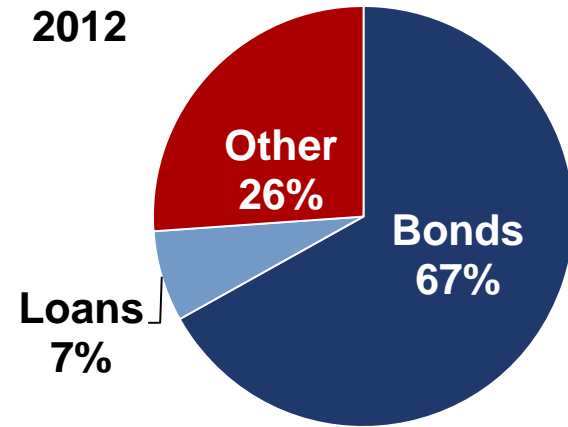
## Global Debt Markets

### US Funding Mix excluding Financials

1966

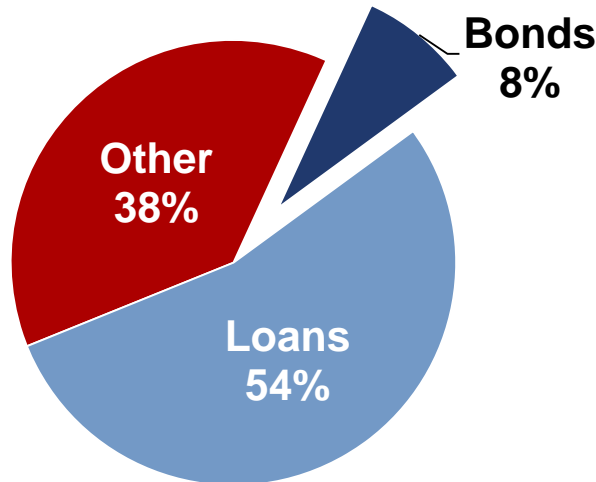


2012

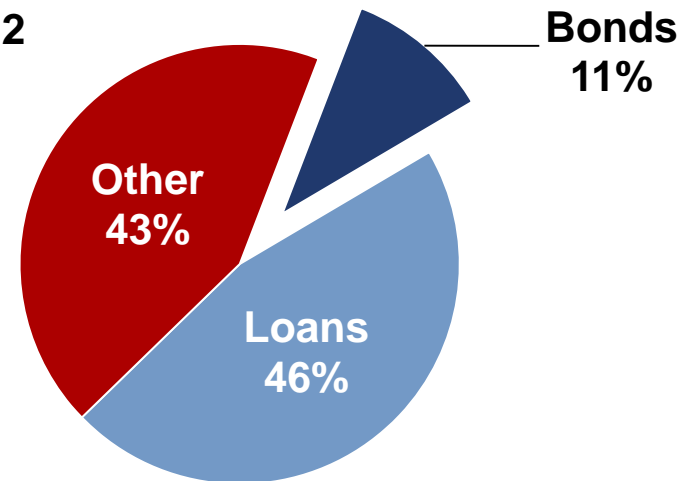


### European<sup>1</sup> Funding Mix excluding Financials

1999



2012

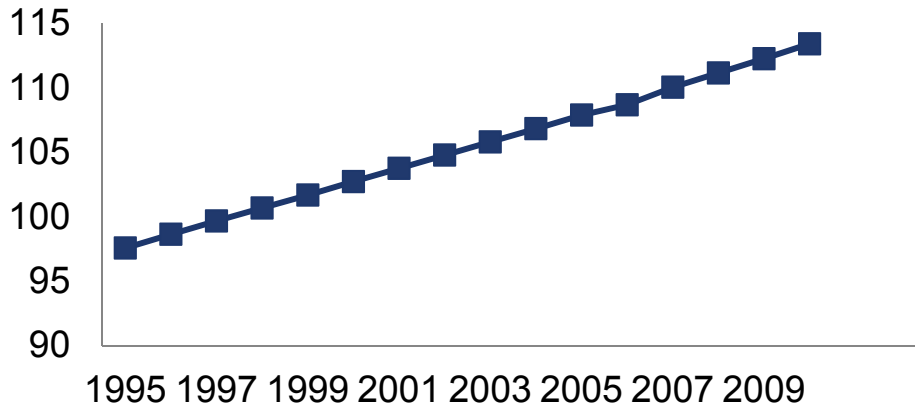


<sup>1</sup> Includes all countries in the European Monetary Union  
Source: Fed and ECB

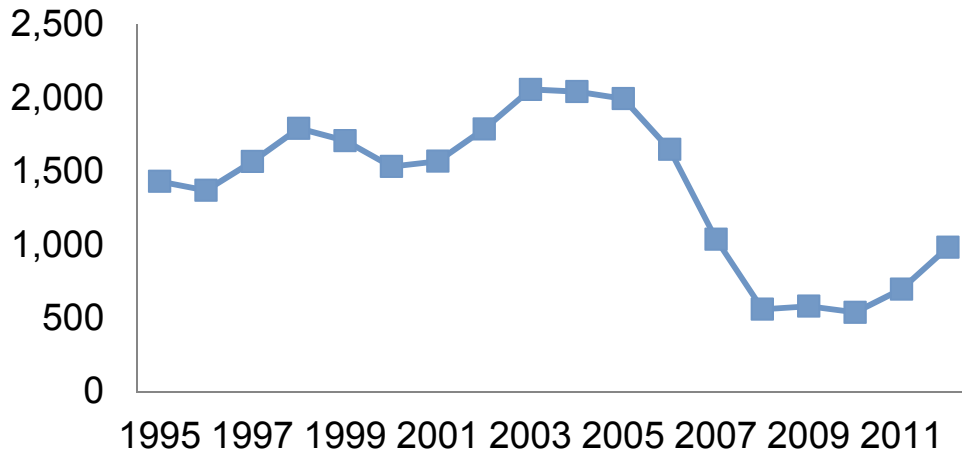
# Mortgages

## Evolving US Housing Market Structure

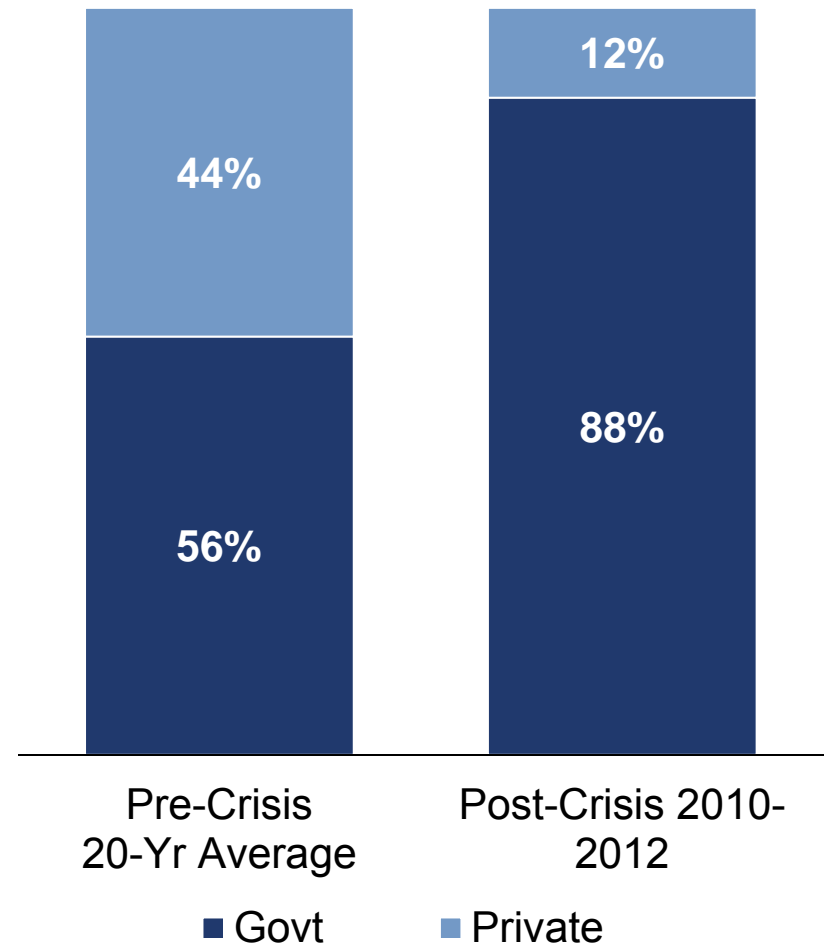
US Household Formation<sup>1</sup> (mm)



US Housing Starts<sup>2</sup> ('000)



US Mortgage Securitizations: US Government Guaranteed vs. Private Transactions



<sup>1</sup> Bureau of Census Report

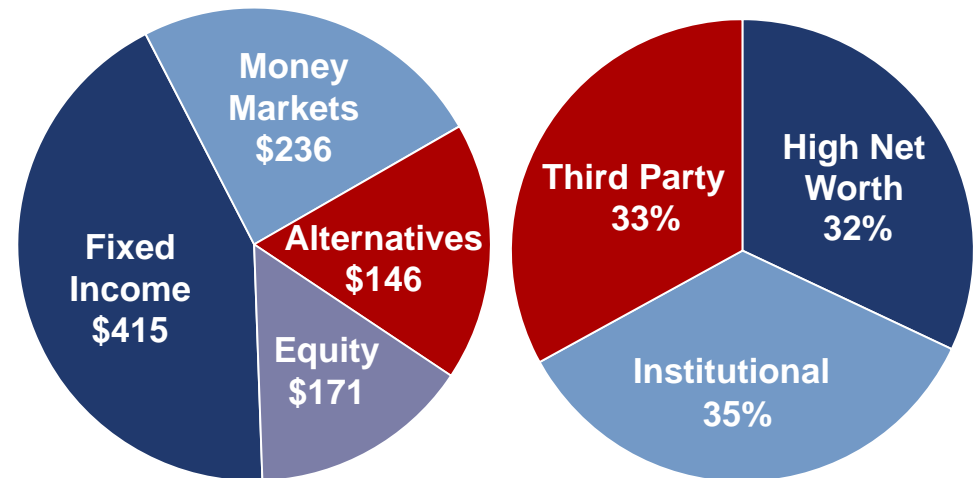
<sup>2</sup> Bloomberg and Inside Mortgage Finance

# Asset Management

## Growing Strong Recurring Fee Business

- Top 10 asset manager with nearly \$1 trillion of assets under supervision
- Asset Management (GSAM) and Private Wealth Management (PWM) offer differentiated solutions and products for our clients
- Key area of investment for the firm including several recent product enhancing acquisitions:
  - Dwight Asset Management
  - Rising Dividend Growth Fund
  - Benchmark Asset Management
- Top priority is always consistent, strong investment performance for our clients

### \$968bn Assets Under Supervision as of 1Q13



### Strong Investment Performance

- 81% of client assets ranked in top two quartiles for 1-year performance, 72% for 3-year, and 56% for 5-year<sup>1</sup>
  - 6+ consecutive quarters of strong investment performance
- Strong performance in Alternatives

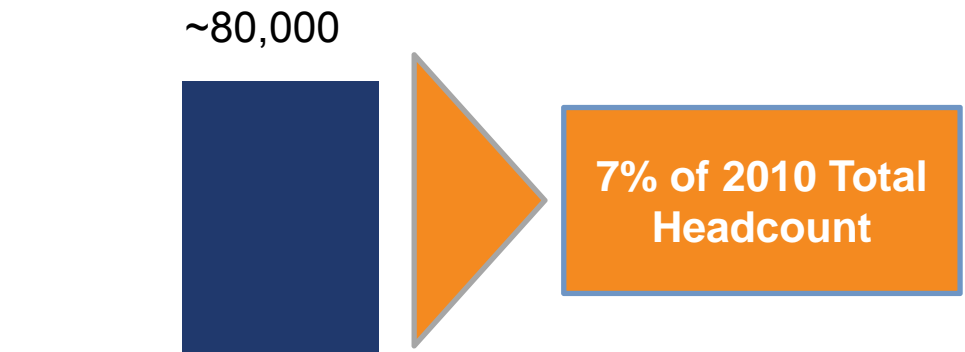
<sup>1</sup> GSAM Global mutual fund assets ranked in top 2 quartiles by Morningstar as of 4/30/13

# Competitive Dynamics

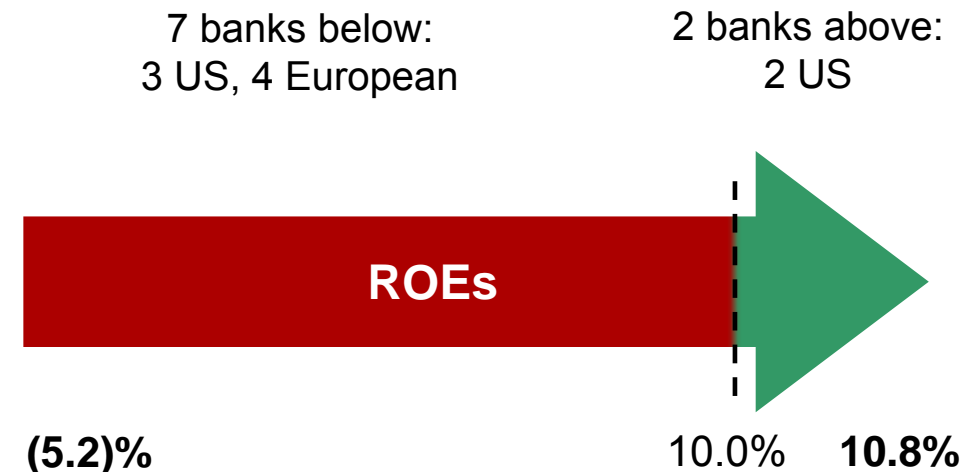
## Retrenchment

- Tougher regulatory requirements and operating environment are pressuring returns and forcing:
  - Significant headcount reductions
  - Strategic reassessment
  - Retrenchment across variety of businesses
  - Forcing many players to focus inward on domestic markets
- Creates market share opportunities

### Total Announced Headcount Reductions for Global Peers in 2011 and 2012<sup>1</sup>



### Range of 2012 Reported ROEs for GS and Global Peers<sup>1</sup>



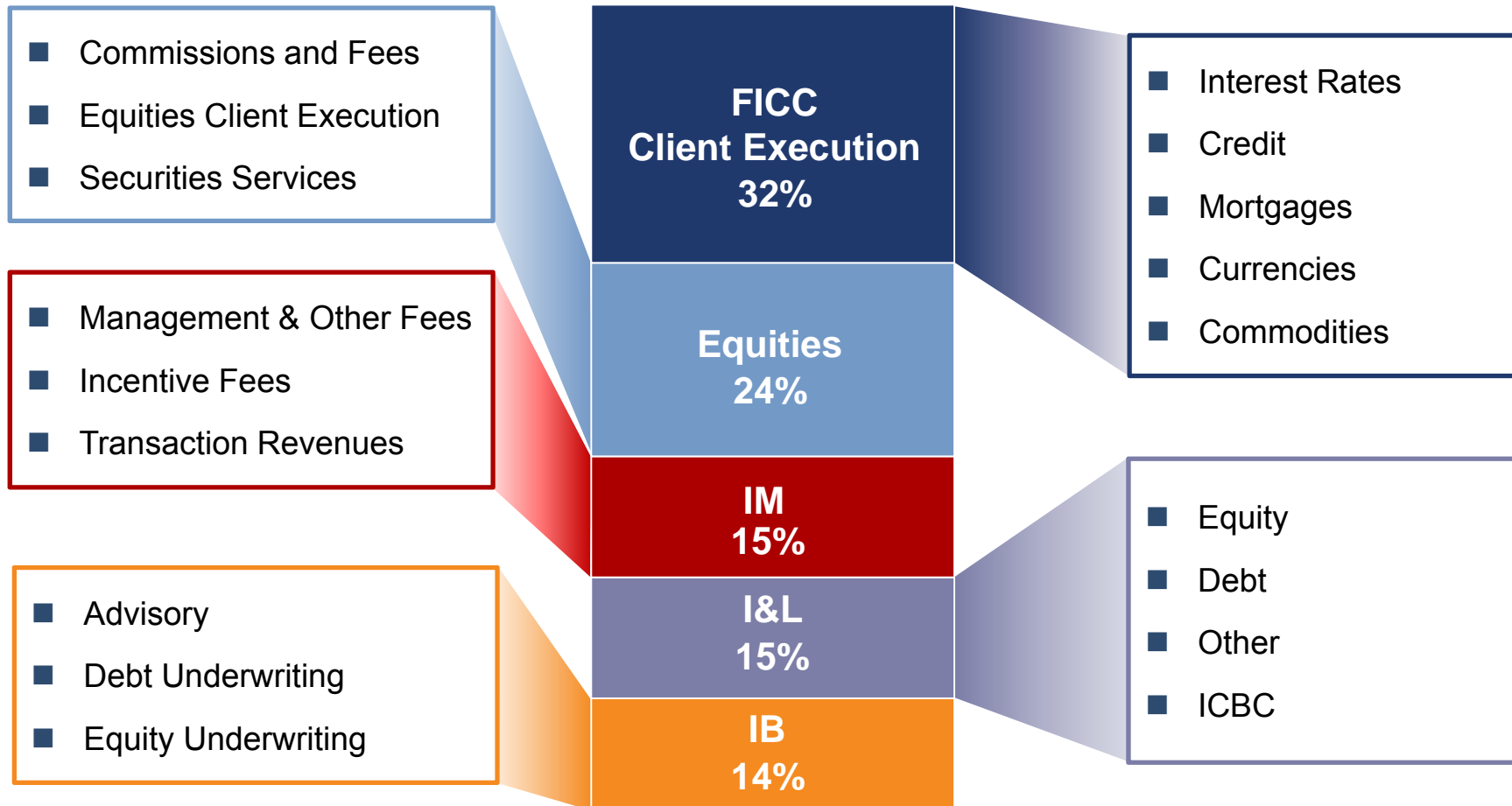
<sup>1</sup> Peers include BAC, BARC, C, CS, DB, JPM, MS and UBS  
Source: Company Filings and available sources



# Closing Remarks

## Diversity Leaves Us Well Positioned to Capture Opportunities

### Average Contribution to Net Revenues 2010–2012



2010-2012 Net Revenues

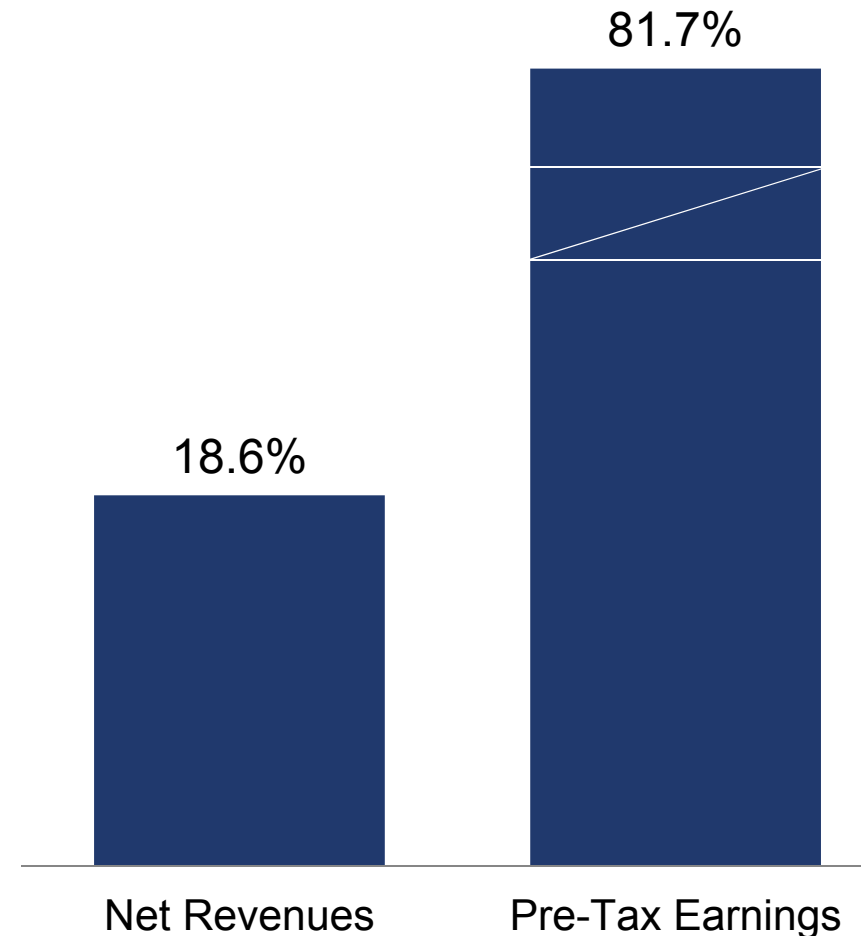
**No business line contributed more than 12% to total net revenues**

# Operating Leverage

## Well Positioned to Drive Long-Term Earnings Growth

- Leading client franchise across all of our businesses
- Diversified set of institutional businesses
- History of adaptability through various cycles
- Operational and financial flexibility
- Strong track record of delivering superior long term returns to shareholders
- Well-positioned for positive operating leverage

### 2011-2012 Year-Over-Year Growth



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**Gary Cohn**  
**President and Chief Operating Officer**

May 30, 2013

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