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# **Fixed Income Investor Presentation**

**July 2012**

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## 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, please see the description of "Risk Factors" in our annual report on Form 10-K for our fiscal year ended December 31, 2011. 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, July 24, 2012.



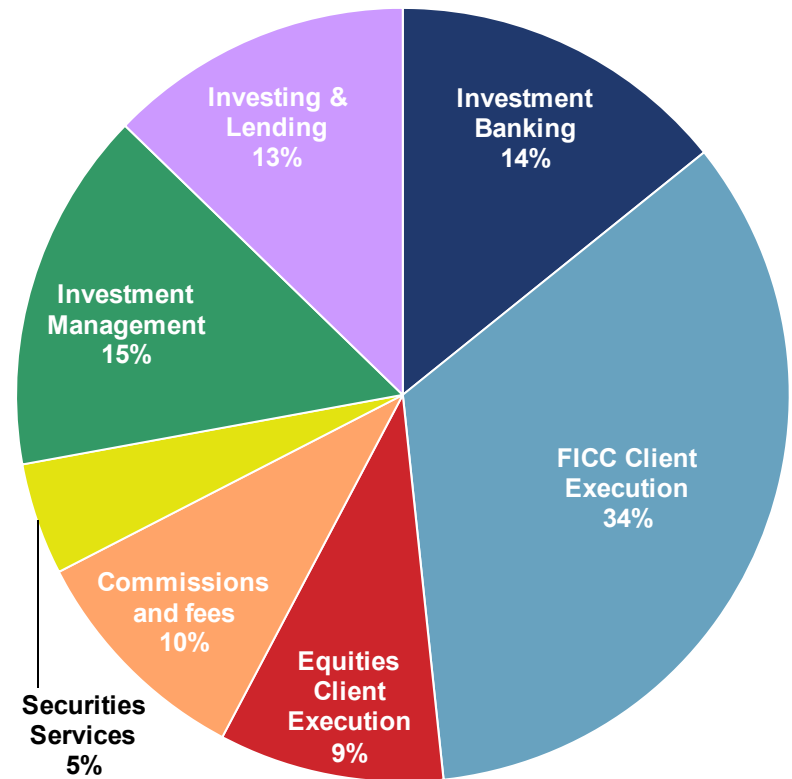
# 1H12 Earnings Highlights

\$ in millions, except per share amounts

## Key Statistics

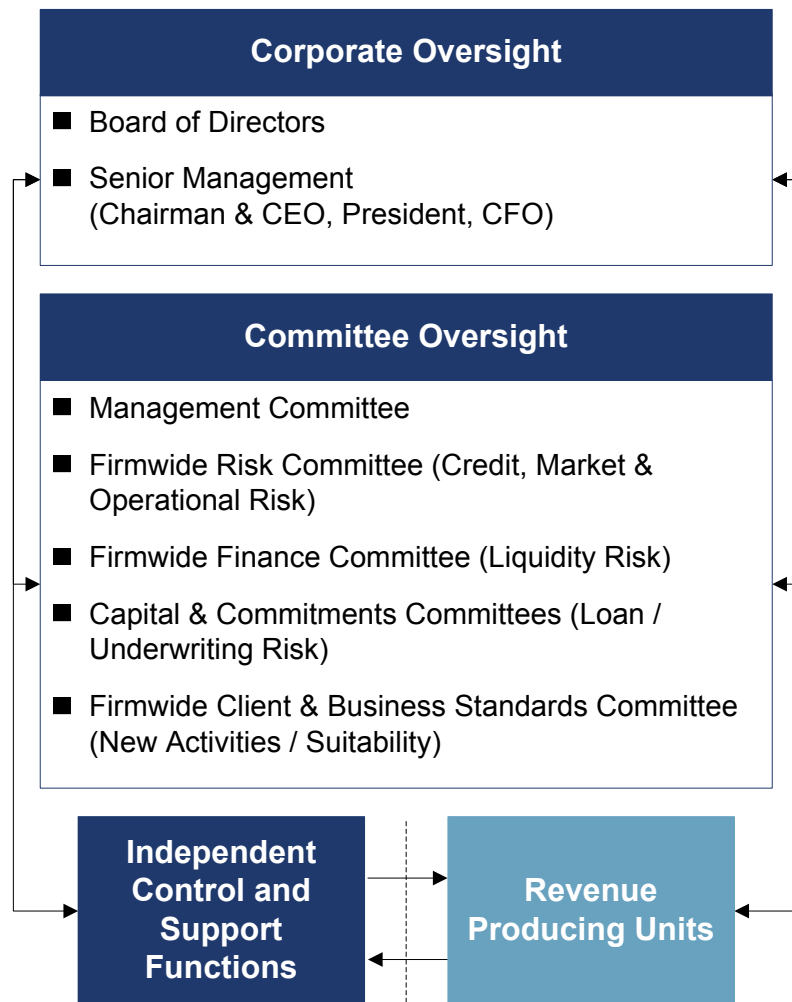
■ Net revenues:	\$16,576
■ Operating expenses:	\$11,980
■ Pre-tax earnings:	\$4,596
■ Net earnings:	\$3,071
■ Earnings per common share:	\$5.72
■ Book value per common share:	\$137.00
■ Return on common shareholders' equity:	8.8%

## Revenue Mix





# Our Risk Philosophy



- Senior management awareness of nature and amount of risk incurred
- Independence of process from the business
- Fair value accounting is a critical risk mitigant and is supported by a robust price verification process
- Minimize losses and manage risk through:
  - Active management
  - Risk mitigation, where possible using collateral
  - Diversification
  - Return hurdles matched to underlying risks
- Overall risk tolerance established by assessment of opportunity relative to potential loss
  - Qualitative and quantitative analysis, but not a specific formulaic link
- Variety of approaches used to monitor risk exposures
- Effective risk systems, which are thorough, timely and flexible
- While we manage risk conservatively, we are in a risk-taking business and will incur losses

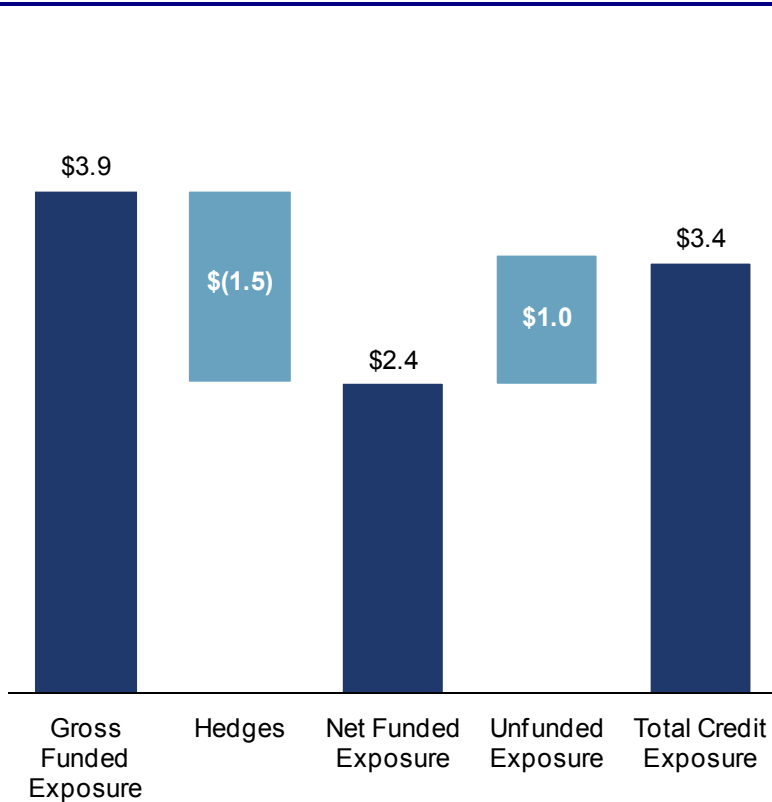


# Selected European Market and Credit Exposures

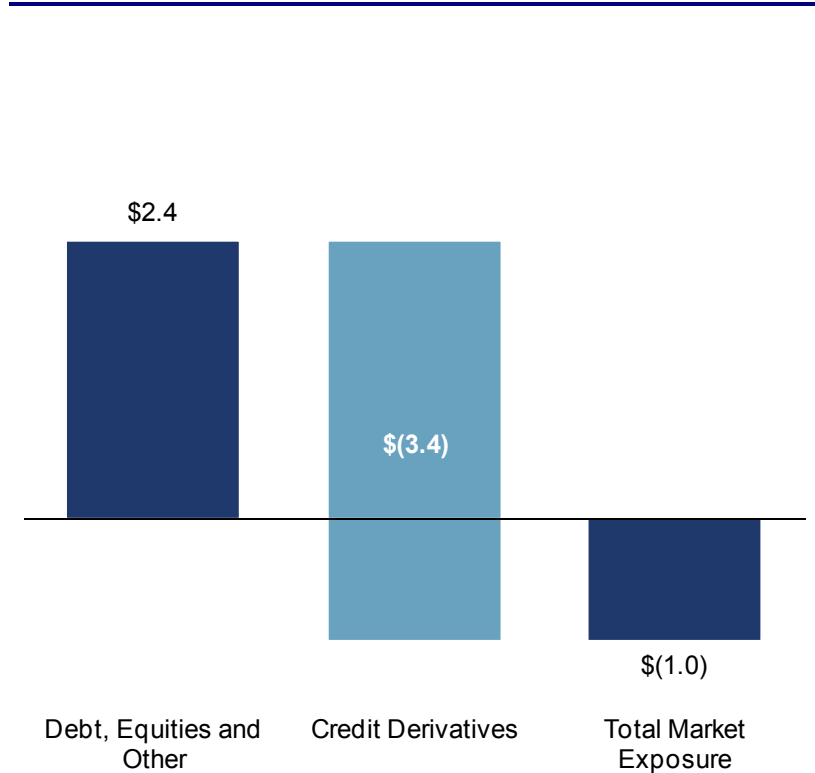
2Q12, \$ in billions

- We continue to take a prudent approach to our European exposure related to Greece, Ireland, Italy, Portugal and Spain

Credit Exposure<sup>1,2</sup>



Market Exposure<sup>3,4</sup>



<sup>1</sup> Represents our credit exposure to all sovereigns, financial institutions and corporate counterparties or borrowers in Greece, Ireland, Italy, Portugal, and Spain

<sup>2</sup> Gross Funded exposure includes Loans, OTC Derivatives (including the benefit of \$6.9bn of cash and US Treasury securities collateral and excluding non-US government and agency obligations and corporate securities collateral of \$279mm) and Other (including \$4.6bn of secured receivables which are fully collateralized)

<sup>3</sup> Represents our market exposure of our long and short inventory in which the issuer or underlier is located in Greece, Ireland, Italy, Portugal, and Spain

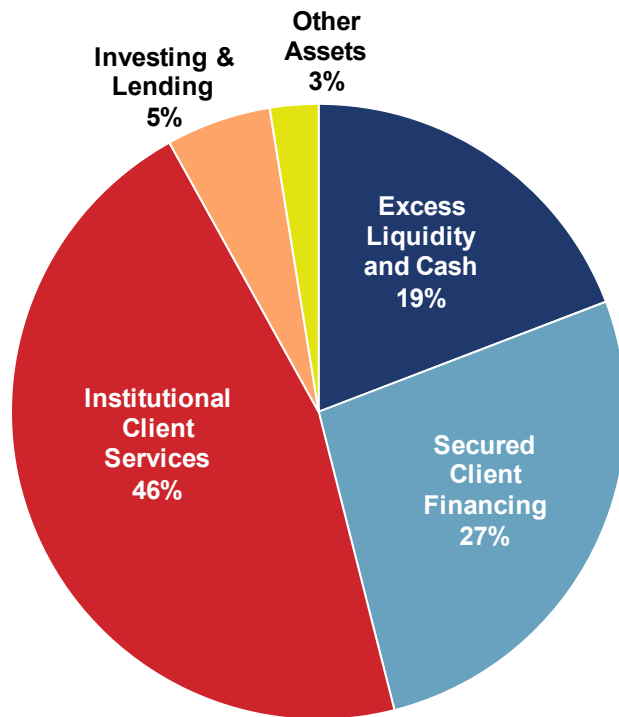
<sup>4</sup> Credit Derivatives include written and purchased credit derivative notional reduced by the fair values of such credit derivatives



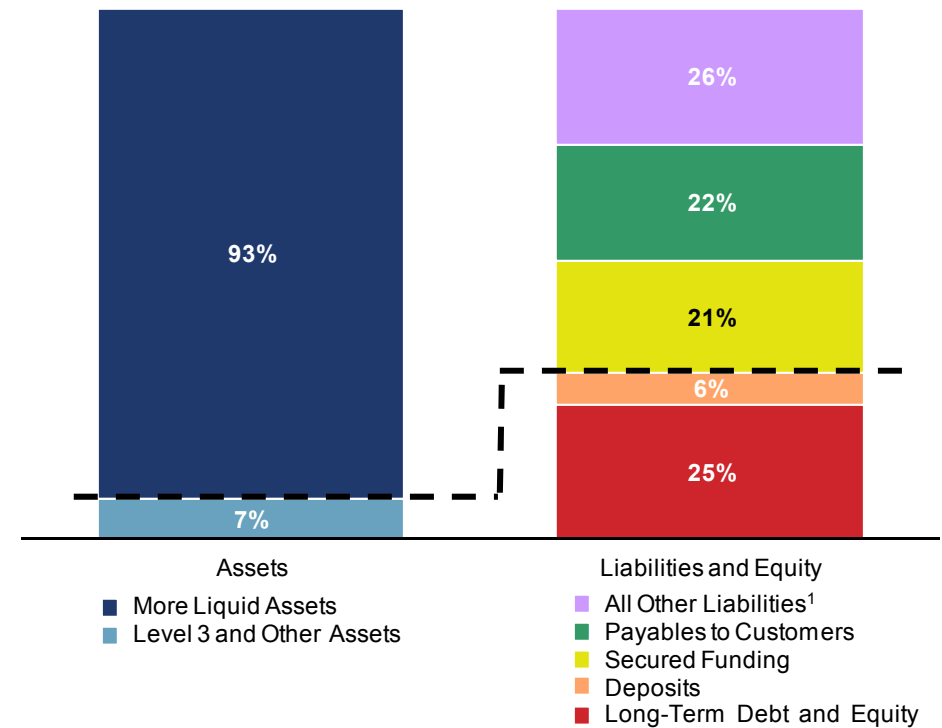
# Balance Sheet

- Balance sheet comprised of highly liquid assets with the vast majority marked-to-market daily
  - As of 2Q12, 93% of the balance sheet is liquid (cash, reverses / borrows, US government/agency and other financial instruments)
- Businesses subject to conservative balance sheet limits that are reviewed regularly and monitored daily, including aged inventory limits

**Total Assets: \$949bn**



**Asset-Liability Management**

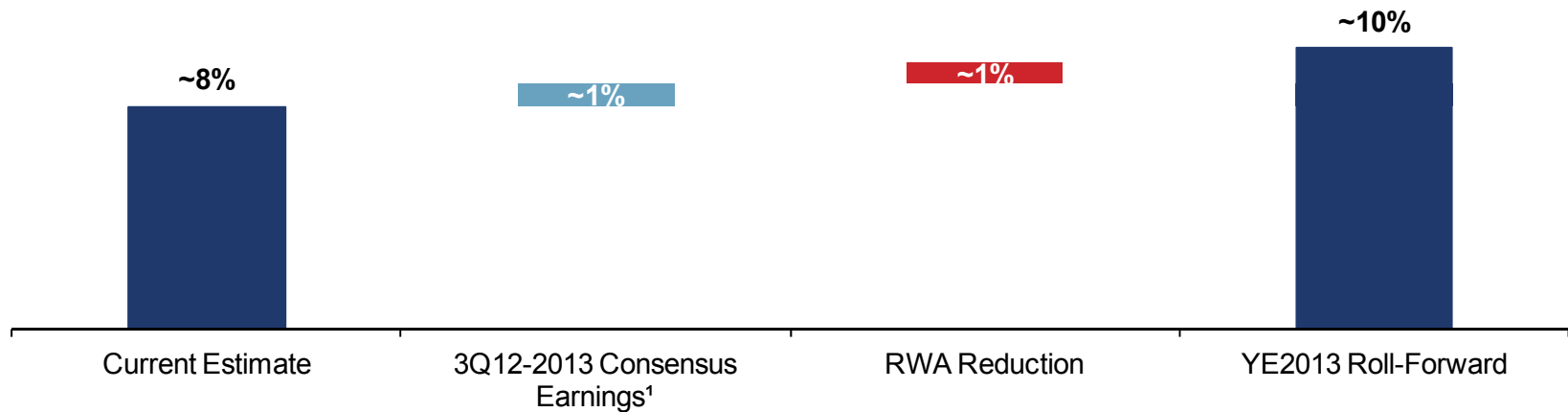


<sup>1</sup> Includes payables to brokers, dealers and clearing organizations, financial instruments sold, but not yet purchased, unsecured short-term debt and other liabilities



# Equity Capital

## Basel 3 Framework



- We have a strong capital position with an estimated pro-forma current Basel 3 Tier 1 Common ratio of nearly 8%, including the impact of the final Basel 2.5 market risk capital rule and the international rules for Basel 3<sup>2</sup>
- Based on the impact of a number of assumptions, primarily consensus net earnings and the continued passive roll-off of our mortgage securitization and credit correlation portfolios, our Basel 3 Tier 1 Common ratio would be nearly 10% by the end of 2013
  - To be clear, this is not a forecast or a target, but rather a mathematical roll-forward based on these assumptions

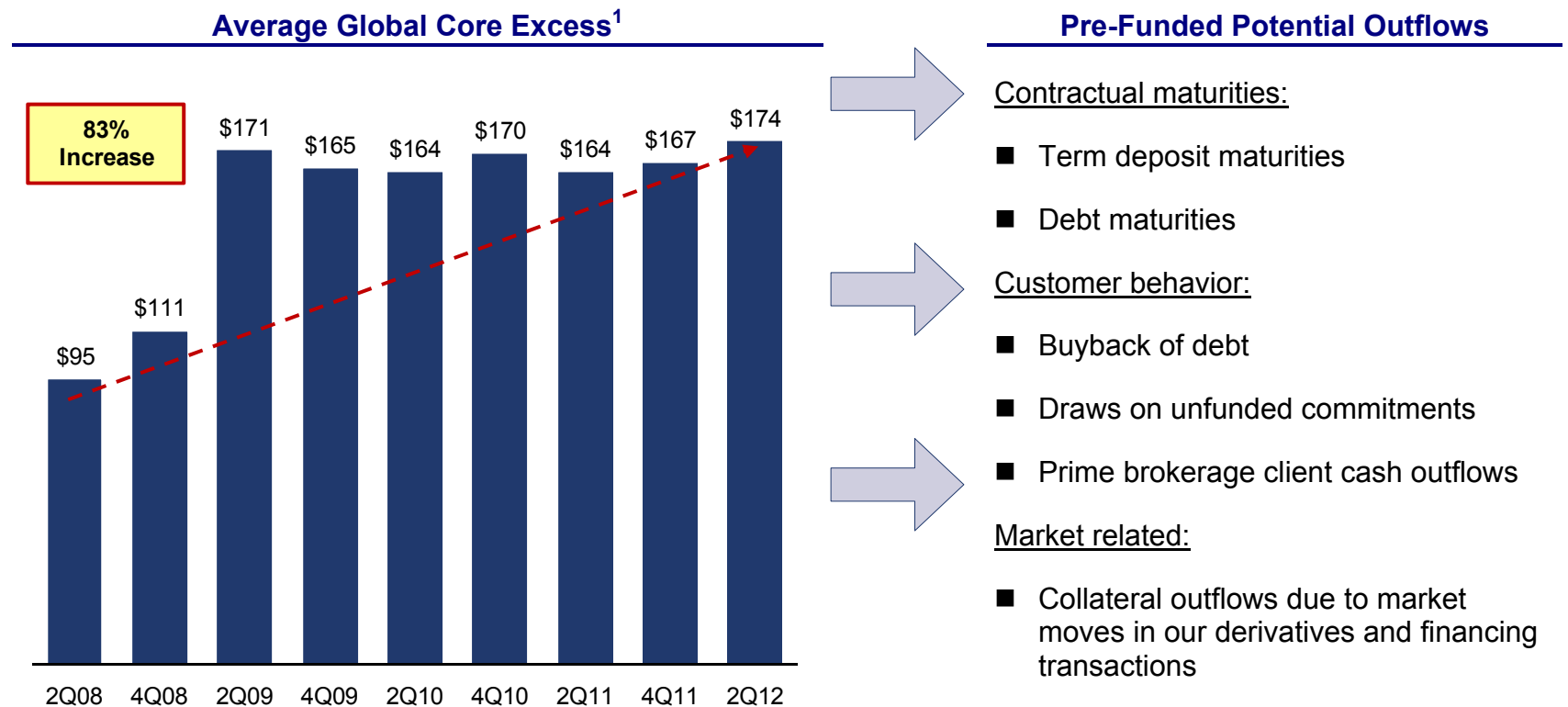
<sup>1</sup> Estimate does not include potential share repurchases or capital created through equity based compensation

<sup>2</sup> Please read the Basel 3 impact materials that are posted on the Investor Relations portion of our website: [www.gs.com](http://www.gs.com)

# Global Core Excess Liquidity

\$ in billions

- Goldman Sachs' most important liquidity policy is to pre-fund what it estimates will be its likely cash needs during a liquidity crisis. This "Global Core Excess" liquidity is composed of highly liquid securities that would be readily convertible to cash in a matter of days



<sup>1</sup> 2Q08 Global Core Excess includes balances held at GS Bank; Prior to the fourth quarter of 2010, GCE had been reported at loan value and is now reported at fair value, consistent with current presentation

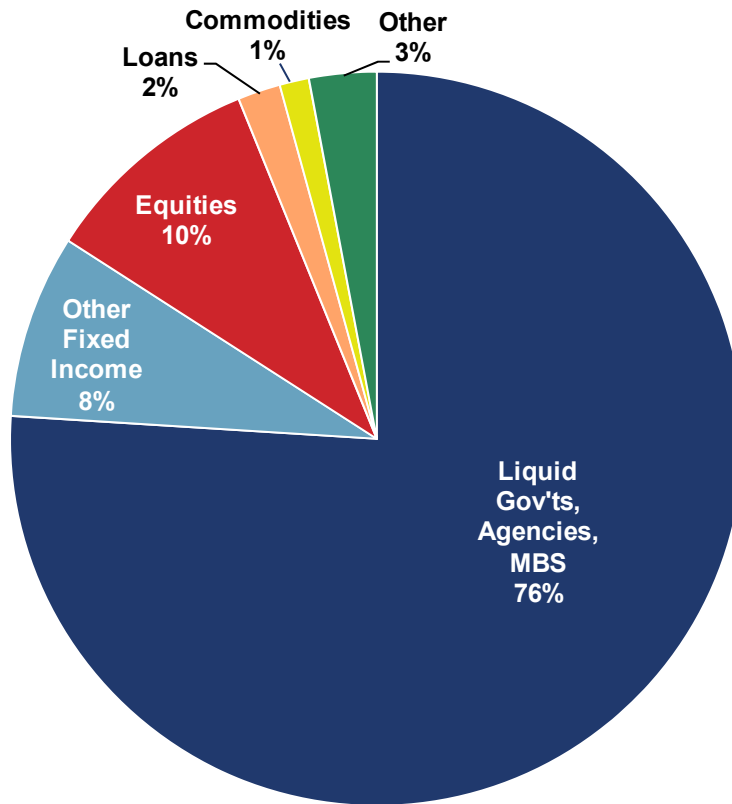




# Secured Funding

2Q12

Secured: \$199bn<sup>1</sup>  
23% of Liabilities



## Secured Funding Goals

- Our firmwide risk management approach carries through to our secured funding book
- Our secured funding book is governed by robust risk infrastructure and supported by sophisticated models
- We focus on two key risk mitigants: term and diversification
  - Structure book with significant term to mitigate rollover risk, especially for less liquid assets
  - Diversify counterparts by sector and geography

<sup>1</sup> Based on current assets allocated to secured funding trades

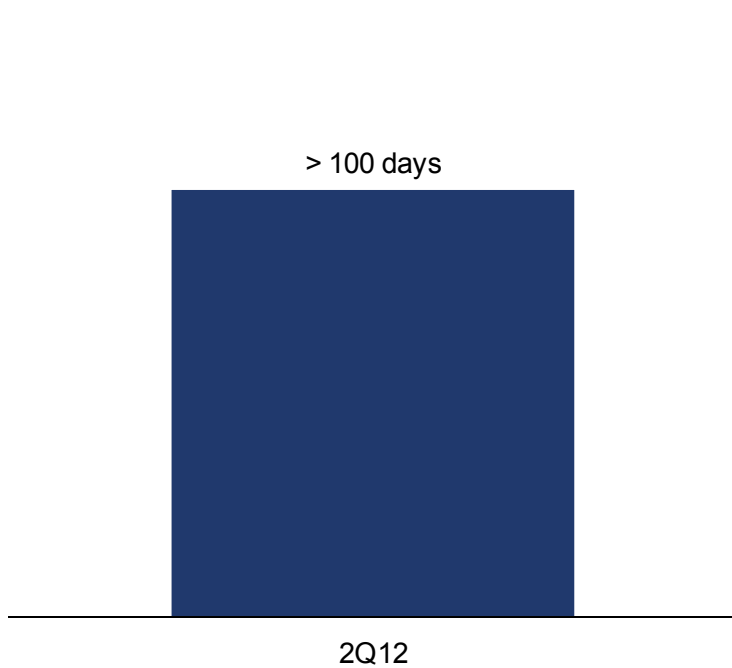


# Secured Funding

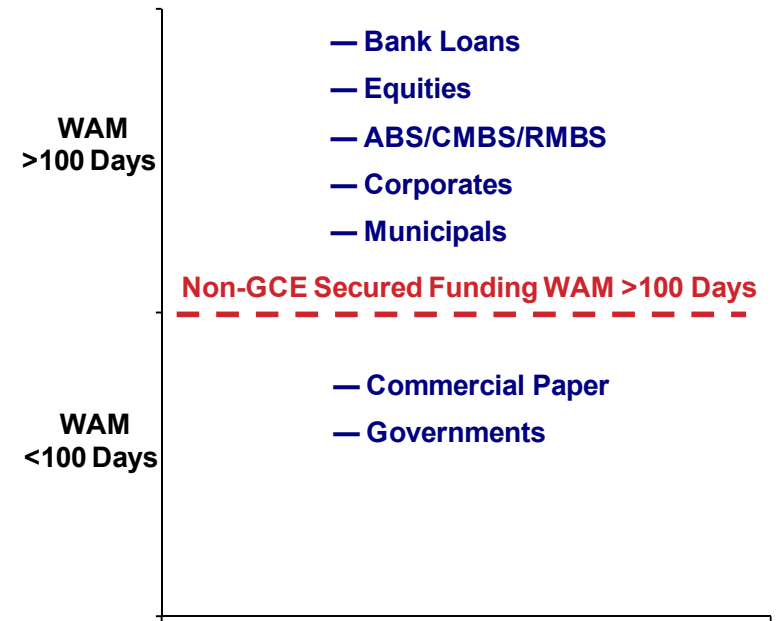
## Term

- Primary focus on tenor of secured funding trades, targeting longer tenor trades for less liquid assets
- Weighted average maturity (WAM) of secured financing (excluding assets held for Global Core Excess) is in excess of 100 days, and has increased significantly in recent years
- Target excess secured funding capacity to reduce forward funding risk and enable balance sheet growth
- Model impact of multiple rollover risk scenarios on capacity to fund different assets in future time periods

### Non-GCE Secured Funding WAM



### Collateral Funding Maturity Profile

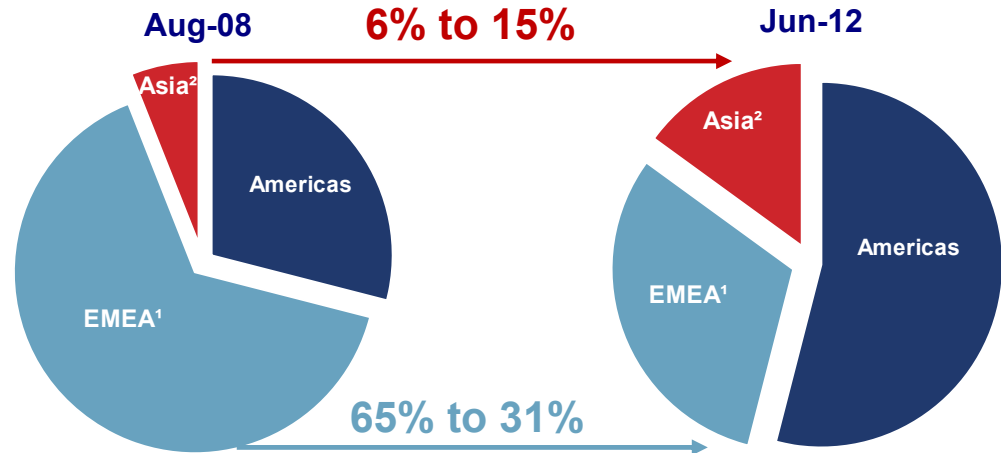


# Secured Funding Diversification

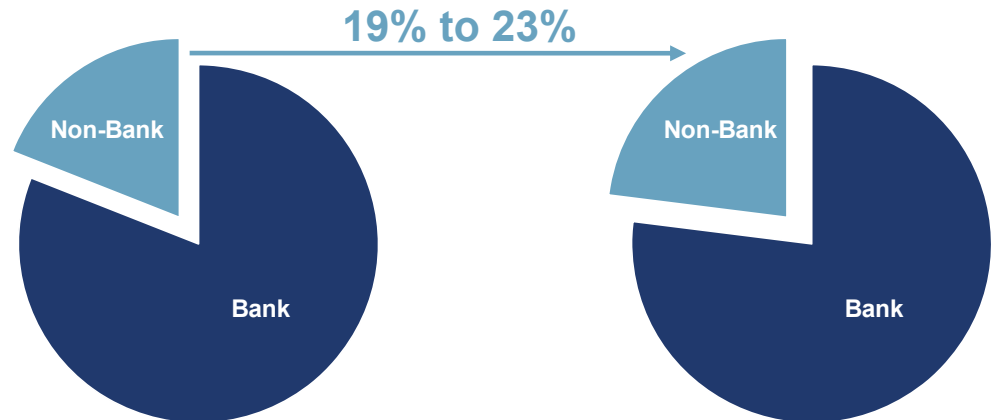
- Counterparty diversity is a key risk mitigant

— Since 2008, we have enhanced sector and geography diversification of our secured funding counterparts

## Geography Diversification



## Sector Diversification



<sup>1</sup> EMEA (Europe, Middle East and Africa)

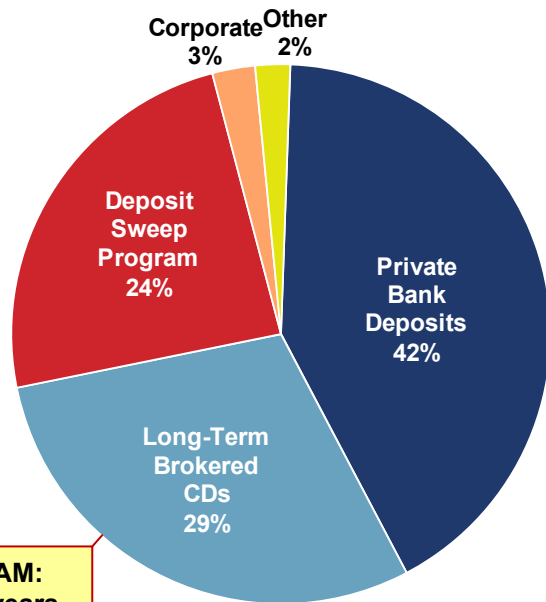
<sup>2</sup> Asia includes Australia and New Zealand

# Deposits

## 2Q12

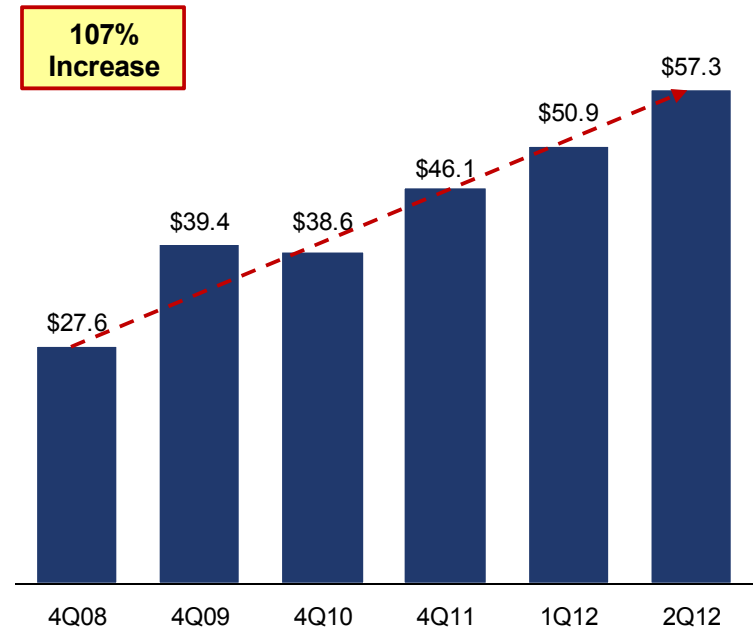
- As part of the Firm's efforts to diversify its funding base, deposits have become a more meaningful share of the Firm's funding activities
- In particular, GS Bank USA has been actively growing its deposit base with an emphasis on contractually longer duration funding, via issuance of long-term Brokered CDs as well as long-term relationships with broker-dealer aggregators where they sweep their client cash to an FDIC-insured deposit at GS Bank USA
- Overall, the Firm has more than doubled its deposit funding since late 2008; the vast majority of that growth has occurred in GS Bank USA

**Deposits: \$57bn**  
**7% of Liabilities**



**WAM: ~3 years**

### Deposit Growth Trends (\$bn)



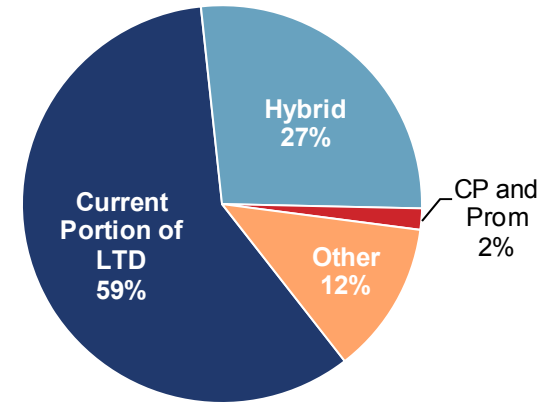
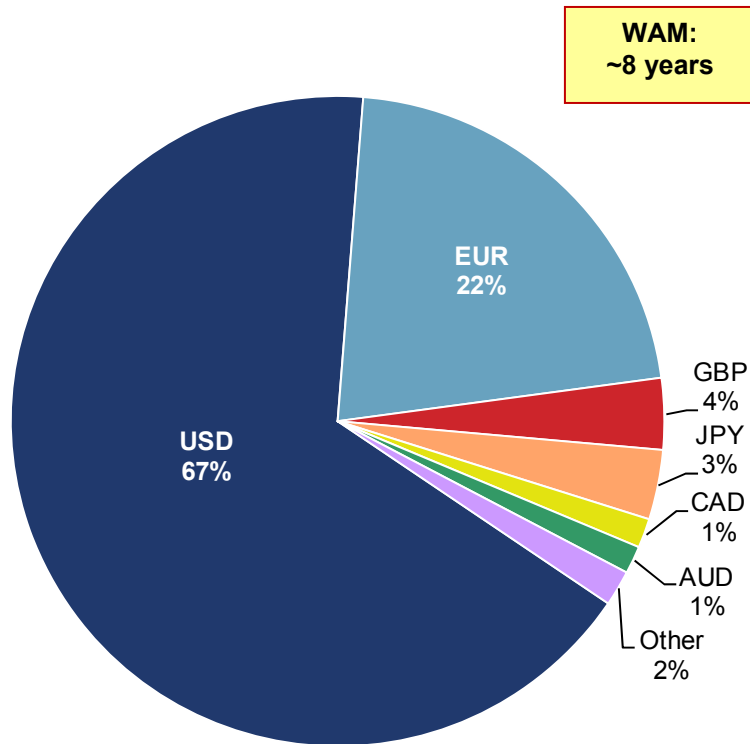
# Unsecured Funding

2Q12

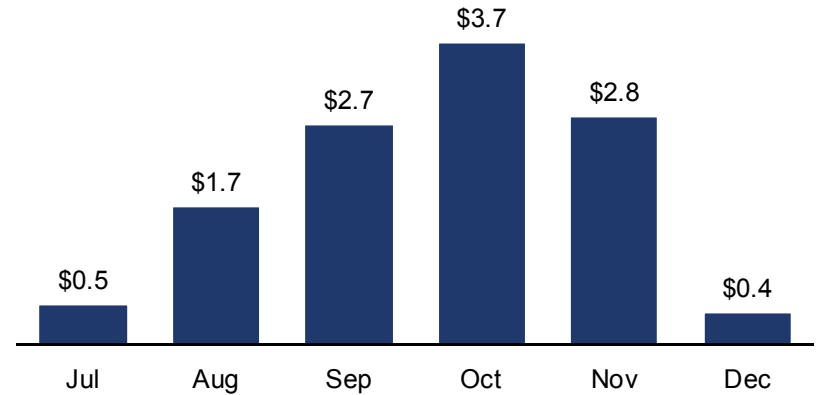
- We maintain broad and diversified unsecured funding sources globally and we seek long-dated liabilities to reduce our refinancing risk

**Unsecured Long-Term: \$167bn**  
19% of Liabilities

**Unsecured Short-Term: \$46bn**  
5% of Liabilities / 2% excluding Current Portion of LTD



**2H12 Current Portion of LTD Maturity Profile (\$bn)**





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# Long Term Issuance Strategy

## Year-to-Date Unsecured Issuance

### USD equivalent

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- Year-to-date, we have executed \$13.7bn of unsecured funding<sup>1</sup>
  - Given the situation in Europe, the majority of industry-wide unsecured funding was raised in the U.S. and Asia
    - Conducted our first Samurai offering since January 2008
  - Issuance was diversified across the tenor spectrum, with 3, 4, 5, and 10 year maturities utilized on the benchmark program during the year-to-date
    - 7 year weighted average initial maturity of issuance
  - Issuance also continued to be diversified across product types, including a \$600mm commodity-linked offering executed in April
  - Satisfied a \$2.25bn remarketing requirement related to our outstanding APEX capital securities
- Our forward issuance strategy will continue to focus on diversification and issuing opportunistically
- Issuance targets will be revisited frequently based on business planning and the overall operating and funding environment

<sup>1</sup> Excludes structured notes



# Credit Ratings

## GS Group Credit Ratings

Credit Ratings	Long-Term Debt	Short-Term Debt	Outlook	
	<b>Standard &amp; Poor's</b>	A-	A-2	Negative
	<b>Moody's</b>	A3	P-2	Negative
	<b>Fitch</b>	A	F1	Stable
	<b>DBRS</b>	A (high)	R-1 (middle)	Stable

- Following downgrades to financial institutions by S&P and Fitch at the end of 2011, Moody's downgraded a group of global financial institutions including Goldman Sachs on June 21st. Across the industry, Moody's reduced ratings by 1-3 notches and the downgrades were largely consistent with their guidance
  - Moody's downgraded Goldman Sachs' long-term rating two notches to A3 and its short-term rating to P-2, which was in-line with guidance provided to the market. Goldman Sachs remains rated near the high end of our US peer group
    - There was no significant impact to our unsecured or secured funding and collateral outflows associated with our derivatives portfolio were less than \$100mm
- Long-term and short-term ratings for key operating subsidiaries, including Goldman Sachs Bank USA and Goldman, Sachs & Co., are A / A-1, A2<sup>1</sup> / P-1 and A / F1 by S&P, Moody's and Fitch, respectively

<sup>1</sup> GS&Co. does not have a long-term rating from Moody's