



## **Cautionary Note on Forward-Looking Statements**

**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 2011.**

**You should also read the information on the calculation of non-GAAP financial measures and the impact of Basel III 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, November 13, 2012.**



# **Goldman Sachs Presentation to Bank of America Merrill Lynch Banking and Financial Services Conference**

**Lloyd C. Blankfein  
Chairman & CEO  
November 13, 2012**



# Current State of the Market

## Cyclical versus Secular Changes

### Cyclical Factors

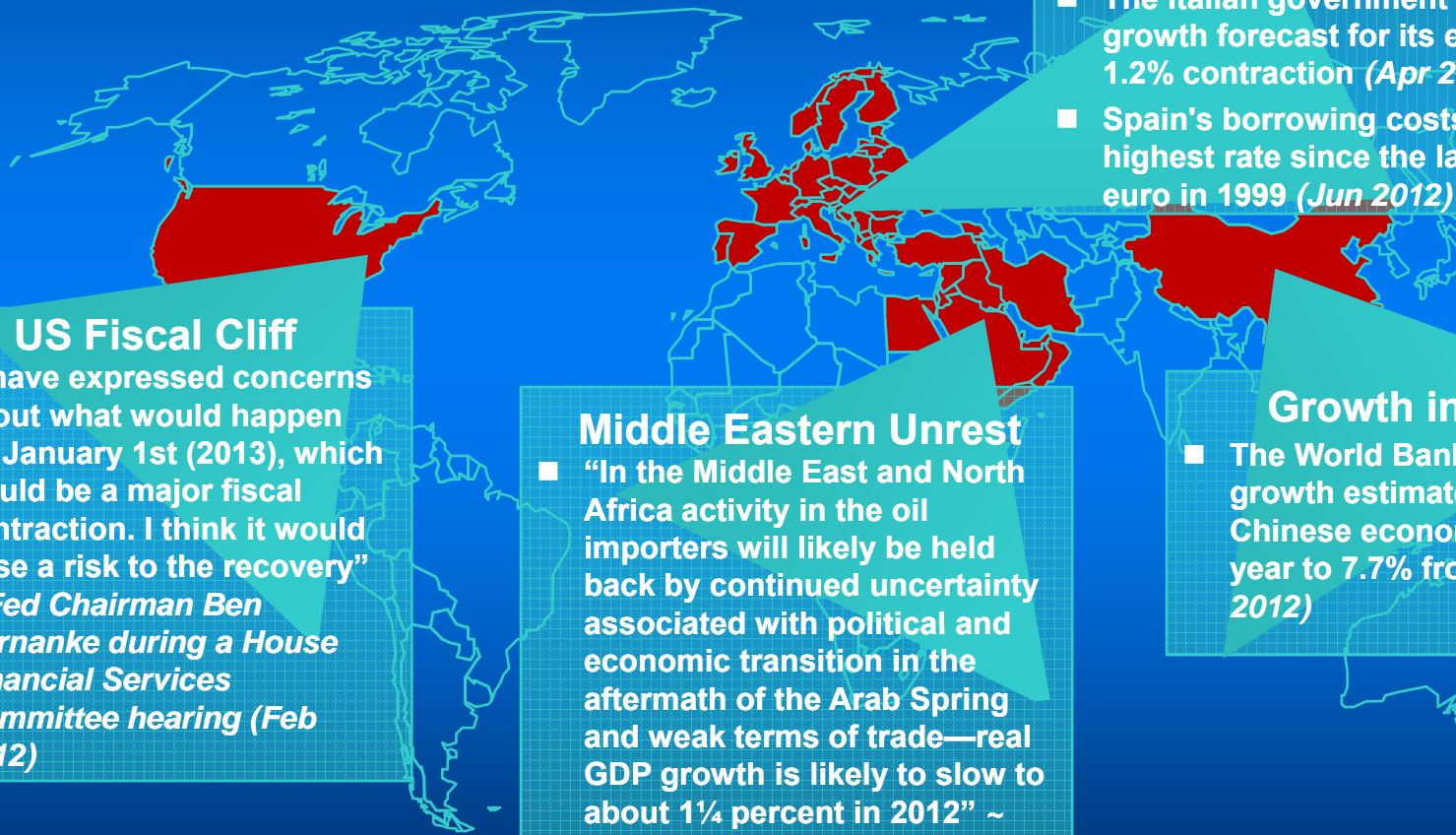
- Client activity
- Risk aversion
- Structured transactions
- Low leverage
- Low yields

### Secular Factors

- Technology
  - Regulation
  - Globalization / BRICs
  - Capital requirements
  - Demographics
- Competition

# Global Concerns

## Investor Areas of Focus



### US Fiscal Cliff

- “I have expressed concerns about what would happen on January 1st (2013), which would be a major fiscal contraction. I think it would pose a risk to the recovery”  
~ *Fed Chairman Ben Bernanke during a House Financial Services Committee hearing (Feb 2012)*

### Middle Eastern Unrest

- “In the Middle East and North Africa activity in the oil importers will likely be held back by continued uncertainty associated with political and economic transition in the aftermath of the Arab Spring and weak terms of trade—real GDP growth is likely to slow to about 1¼ percent in 2012” ~ *IMF’s World Economic Outlook (Oct 2012)*

### Eurozone Crisis

- The Italian government cut Italy’s 2012 growth forecast for its economy to a 1.2% contraction (*Apr 2012*)
- Spain’s borrowing costs rise to the highest rate since the launch of the euro in 1999 (*Jun 2012*)

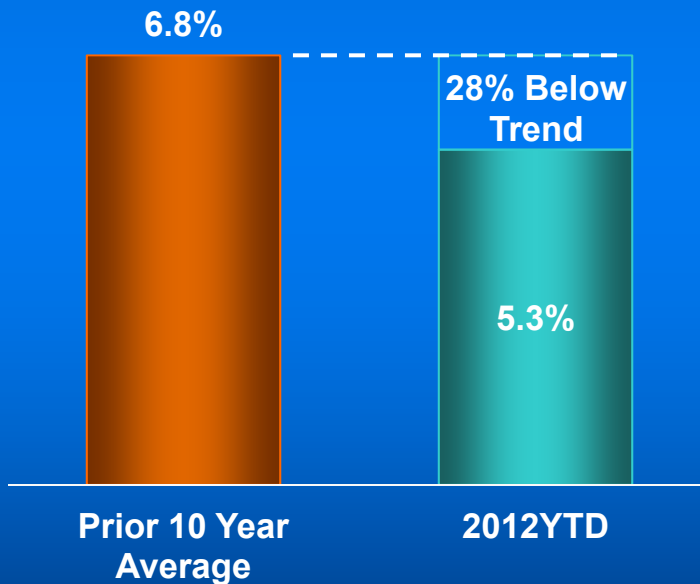
### Growth in China

- The World Bank lowered its growth estimate for the Chinese economy for the year to 7.7% from 8.2% (*Oct 2012*)



# M&A Activity at Depressed Levels

## Global Announced M&A as a % of Market Cap<sup>1</sup>



## Considerations

- High return business
- Once macro concerns subside, valuations, cash balances and low funding costs provide an attractive environment
- Drives other business opportunities

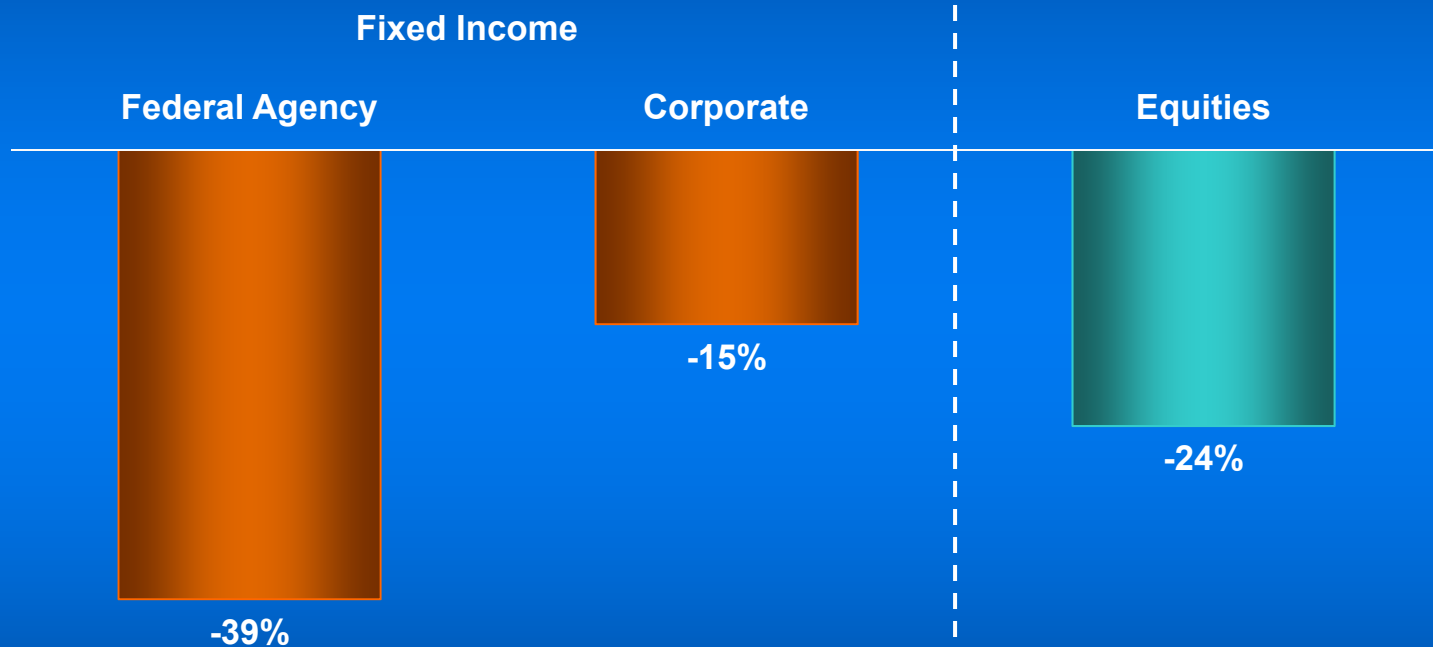
<sup>1</sup> M&A data sourced from Dealogic. Market Cap data sourced from FactSet. 2012 YTD data is presented on an annualized basis as of 10/30/2012



# Investor Activity Remains Muted

## Selected Fixed Income and Equities Volumes

Decline in Average Quarterly Volumes by Product: 2010 versus 2012YTD<sup>1</sup>

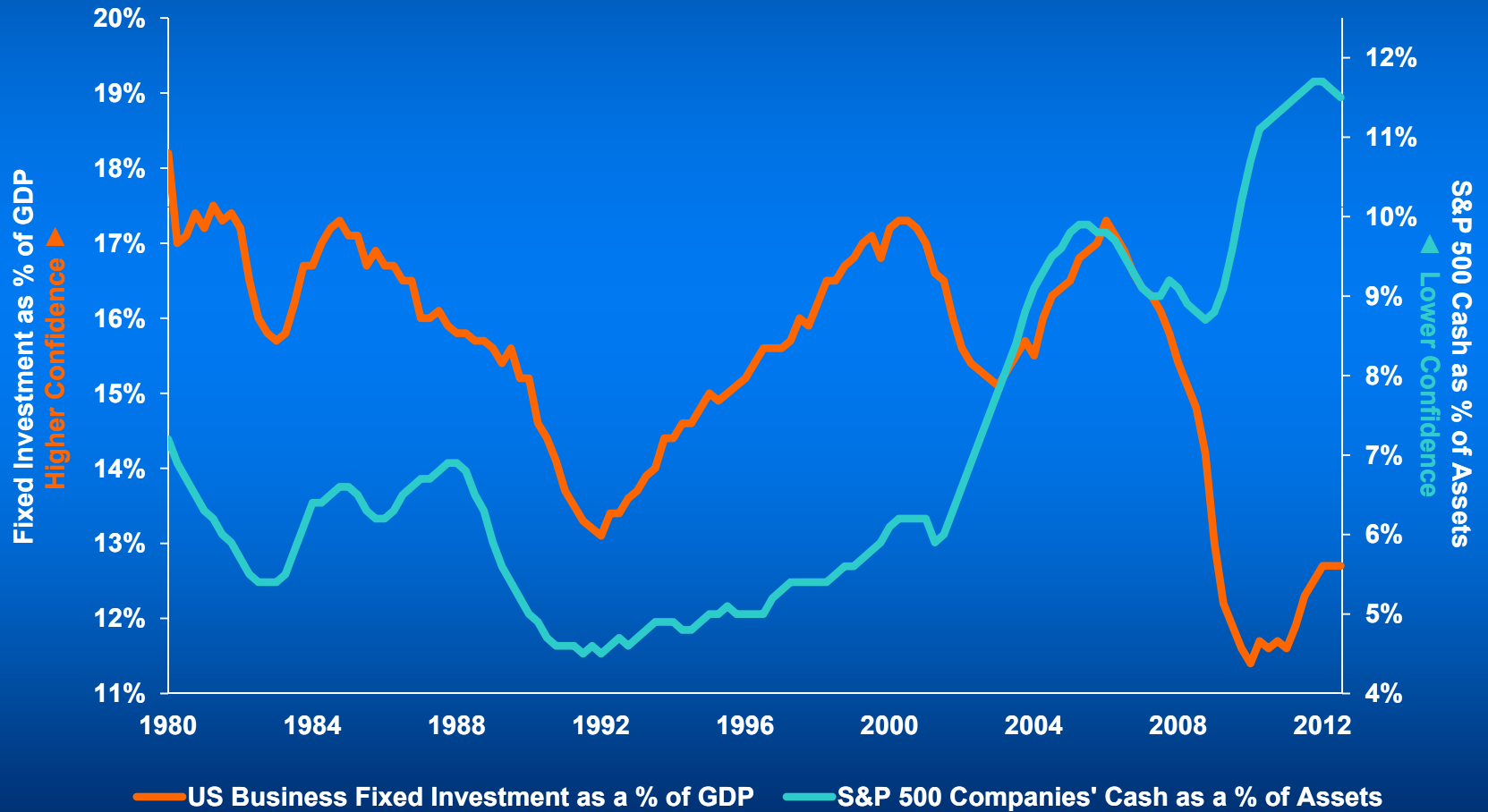


<sup>1</sup> FICC data sourced from the Federal Reserve Bank of New York. Equities represents average daily share volumes for NYSE, NASDAQ, BATS and Direct Edge. Data as of 9/30/2012



# Business Confidence Remains Low

Business Confidence 1980 – 2012YTD<sup>1</sup>



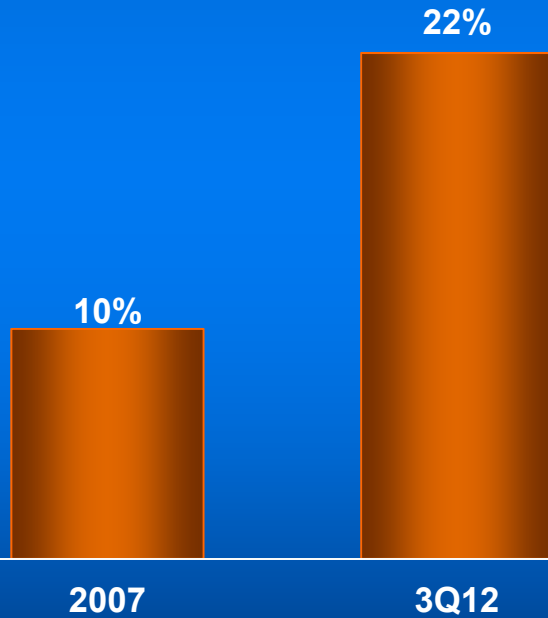
<sup>1</sup> Fixed Investment as % of GDP sourced from Bureau of Economic Analysis; S&P 500 Cash as % of Assets excludes financials and is sourced from Compustat



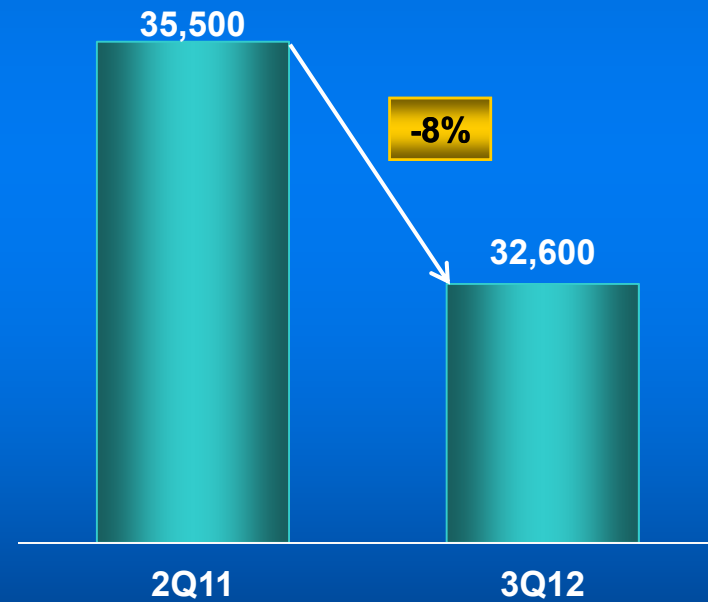
# Managing Expenses

## Driving Efficiency

GS Workforce Employed at High Value Locations (HVLs)



Firmwide Total Staff



**In 2Q11 announced \$1.2bn expense initiative, which has since been increased to \$1.9bn**

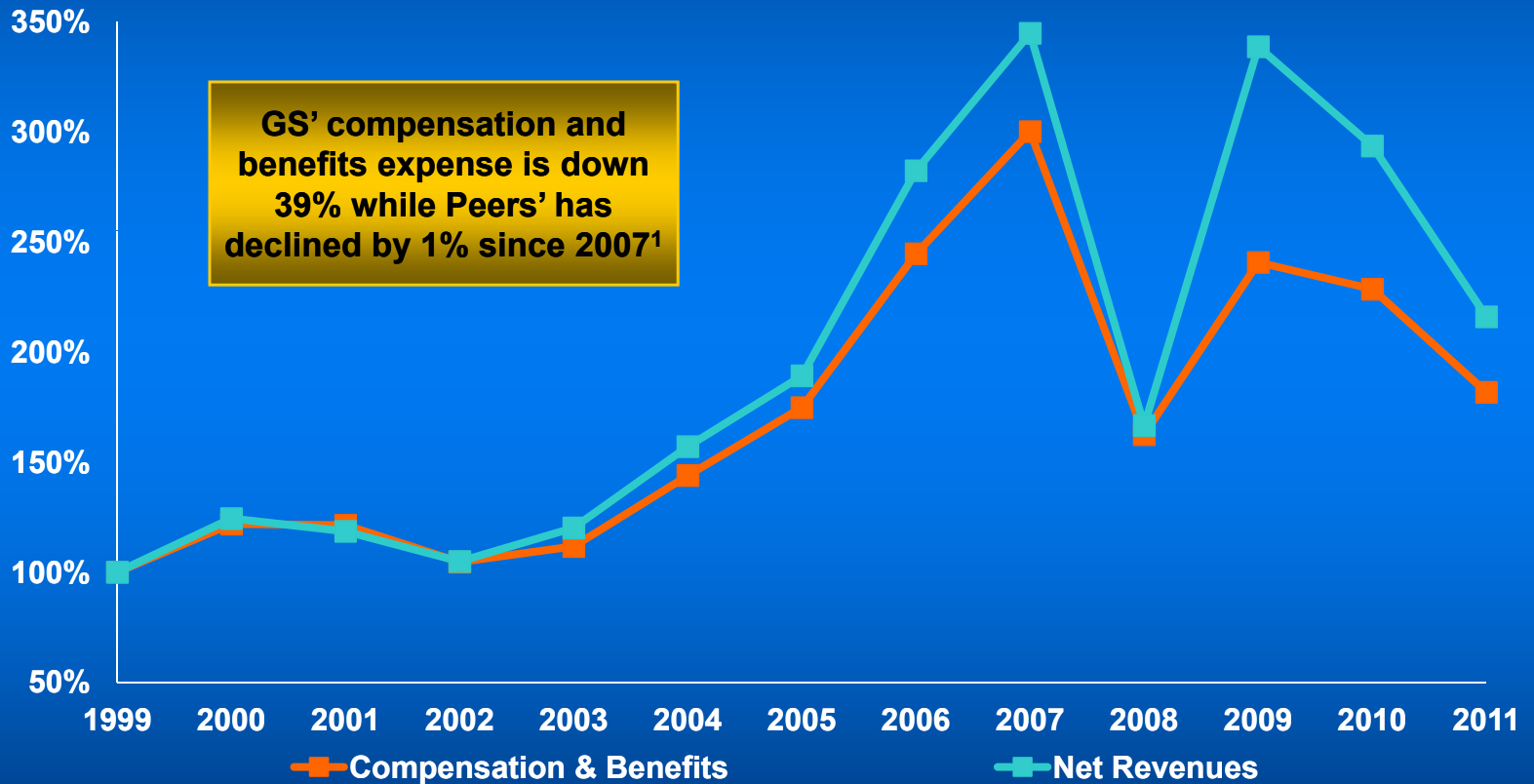




# Managing Expenses

## Paying for Performance

### GS Indexed Compensation and Benefits Expense versus Net Revenues



**GS' compensation and benefits expense is down 39% while Peers' has declined by 1% since 2007<sup>1</sup>**

**1999**  
Net Revenues: \$13.3bn  
Total Staff: 15,361<sup>2</sup>

**2011**  
Net Revenues: \$28.8bn  
Total Staff: 33,300

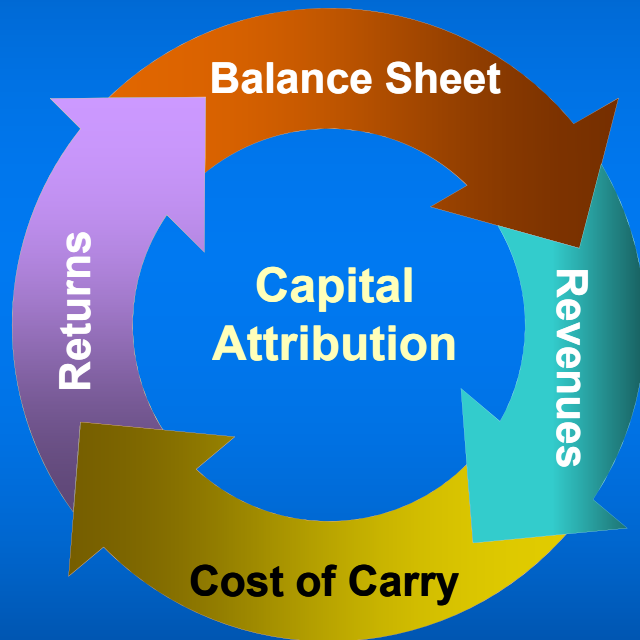
<sup>1</sup> Peers calculated as the change in compensation and benefits expense through 2011 vs. 2007 as the base year. Peer compensation expenses measured in aggregate and includes BAC, C, JPM, MS, MER (2007) and BSC (2007)

<sup>2</sup> 1999 Total Staff excludes consultants and temps, which are included in 2011 Total Staff



# Capital Efficiency

## Capital Attribution Process



### Higher Capital Requirements

Credit

Merchant Banking

Mortgages<sup>1</sup>

<sup>1</sup> Non-Agency MBS (RMBS, CMBS, CDOs, etc)



# Capital Efficiency

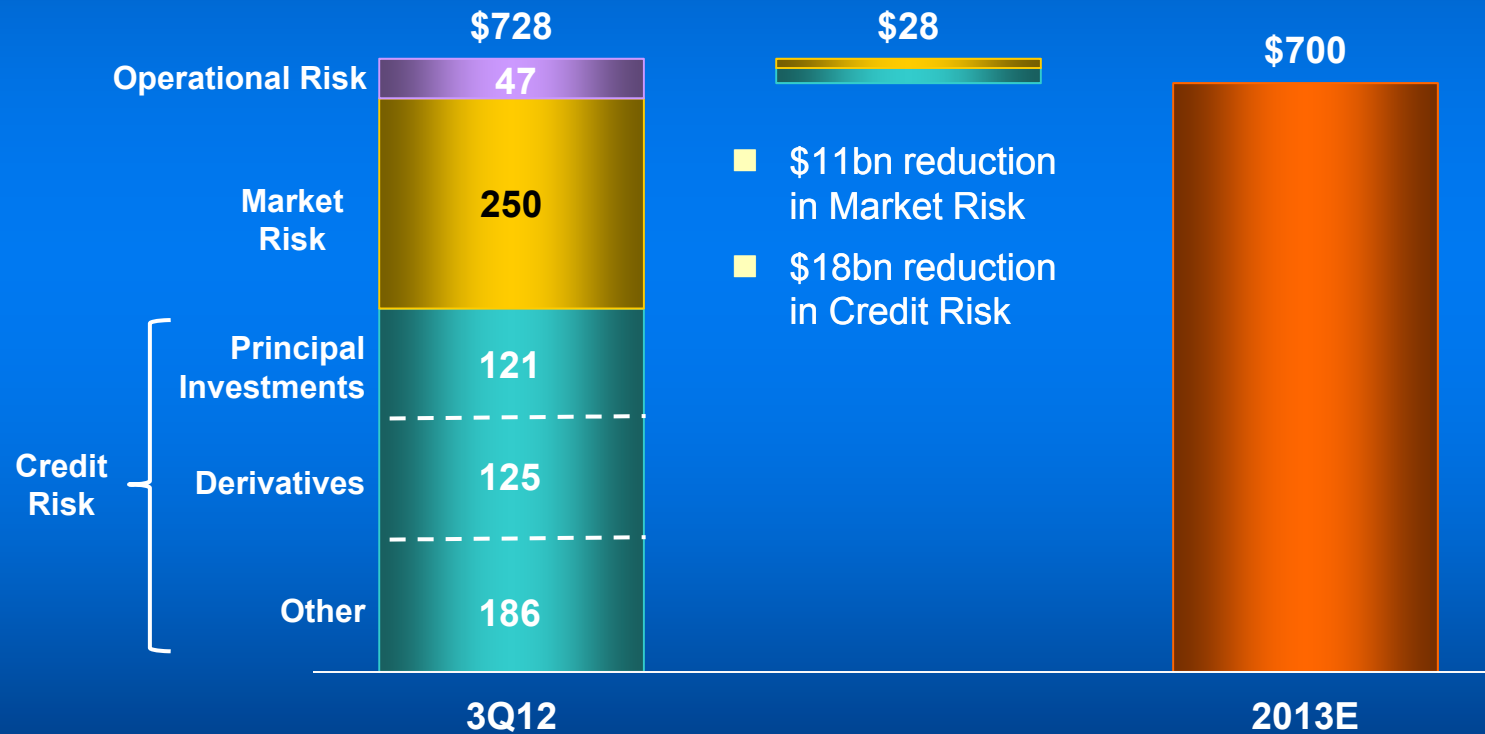
## Mortgage Trading Optimization Case Study





# Capital Optimization

## Basel 3 Risk Weighted Asset Pro-Forma and Passive Mitigation<sup>1</sup> (\$bn)



<sup>1</sup> Some estimates may not sum due to rounding. Estimates primarily assume the passive roll-off of our mortgage securitization and credit correlation portfolios. Other Credit Risk includes Non-derivatives and Commitments. The firm is not targeting the above level of RWAs. This is merely a calculation using passive mitigation



# Impact of Regulation

## Basel 3

- Stronger industry-wide credit profiles
  - Reduces systemic risk
  - Promotes more rational risk/return decisions
  - Increases cost of credit extension in the system, potentially hampering economic growth
- 

## Clearing

- Reduces systemic risk; moves bilateral risk to central clearing
  - Standardized credit terms level the playing field
  - Potential for risk concentration
  - Spread tightening
- 

## Price Transparency and Automation

- Deeper liquidity
  - Increased opportunity to innovate
  - Lower margins
- 

## Volcker

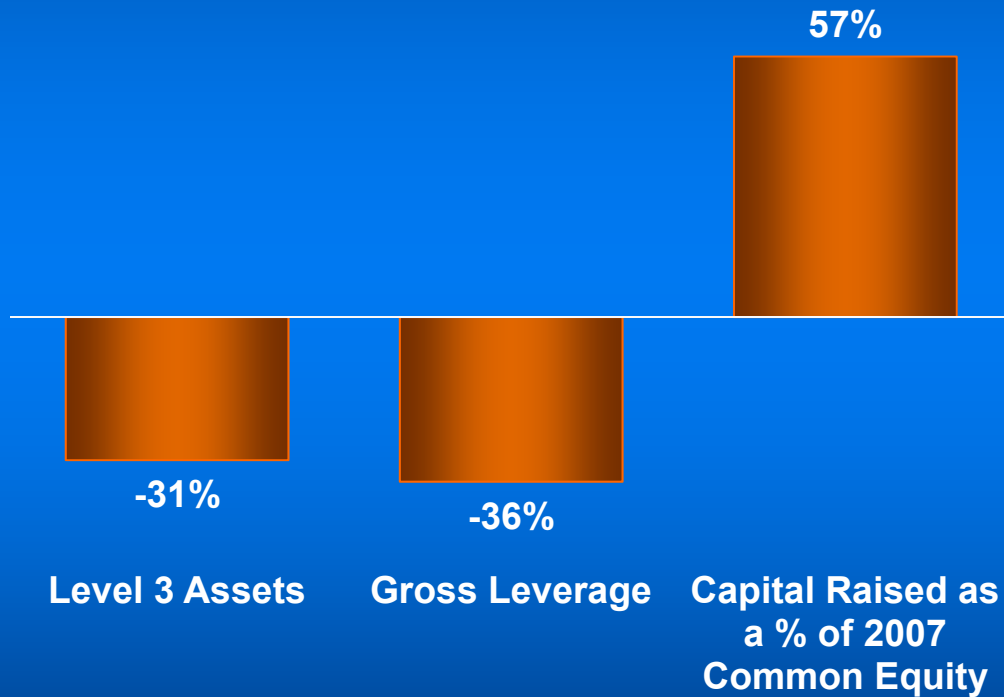
- Lower revenue volatility
- Inability to invest at the level that clients would prefer
- Lost revenues



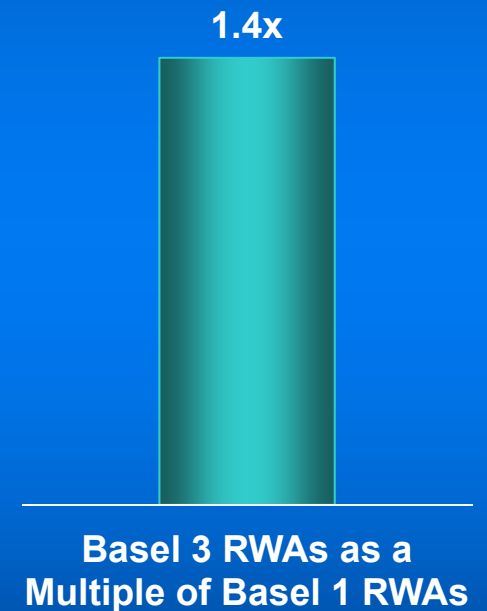
# Industry Credit Profile

## Improved Capital Levels and Lower Leverage

### GS and Peers Credit Profile Metrics 2007 – 2011<sup>1</sup>



### Increased Risk Weighting<sup>2</sup>



<sup>1</sup> GS and Peers include GS, MS, JPM, C and BAC. Percent changes represent average of percent changes for GS and Peers. Level 3 Assets for BAC and JPM in 2007 include MER and BSC, respectively. Gross leverage is calculated as Total Assets divided by Total Equity. Peer capital data sourced from SNL. Capital raises include common equity issuances and preferred / trust preferred exchanges executed between 1/1/2008 and 12/31/2011

<sup>2</sup> Per latest company disclosure, represents Basel 3 RWAs as a multiple of Basel 1 RWAs. Includes GS, JPM, C and BAC



# Potential Capital Requirements

G-SIFI  
Buffers

+3.5%

+2.5%

Citi, Deutsche Bank, HSBC, JPMorgan

+2.0%

Barclays, BNP Paribas

+1.5%

Bank of America, Bank of NY Mellon, Credit Suisse, **Goldman Sachs**<sup>1</sup>, MUFG, Morgan Stanley, RBS, UBS

+1.0%

Bank of China, BBVA, Credit Agricole, Group BPCE, ING, Mizuho, Nordea, Santander, SocGen, Standard Chartered, State Street, Sumitomo, Unicredit, Wells Fargo

7.0%  
Minimum

<sup>1</sup> In November 2012, the Financial Stability Board indicated that the firm would be required to hold an additional 1.5% of Tier 1 common equity as a globally systemically important bank under the Basel Committee's methodology. Future revisions to methodology or timing could impact this estimate



# Technology

## GS Committed to Take Advantage of Technological Opportunities

### Technology

#### Client Solutions

- Within Equities business, 60-70% of shares now traded through low touch channels<sup>1</sup>
- FICC trading also becoming more electronic
  - Liquid cash businesses well developed, ranging from 25% to 80% electronic
  - Derivatives expansion underway, ranging from 5% to 60% electronic

#### Operational Efficiency

- Investing in “Digitization” and Automation
- Achieved >99.5% Straight-Through-Processing for low touch US Equities<sup>2</sup>
- Dodd Frank offers significant automation opportunities for OTC Derivatives

#### Risk Management

- Approximately 6 million positions marked to market every day
- Roughly 1 million computing hours used daily for risk management calculations

<sup>1</sup> These numbers are estimates. “Low touch” is not an accounting or standard industry term and we do not track our revenues based on this term, as it is not precise enough to permit exact quantification

<sup>2</sup> Covers trade processing and settlements for the low touch US Equities channel





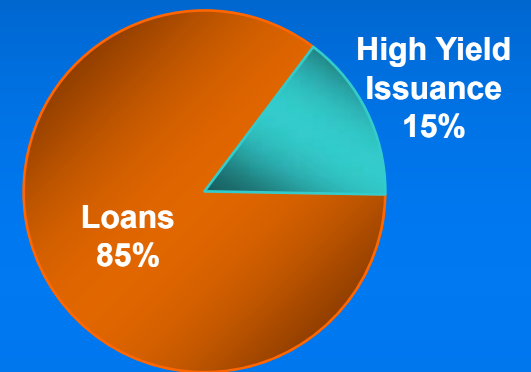
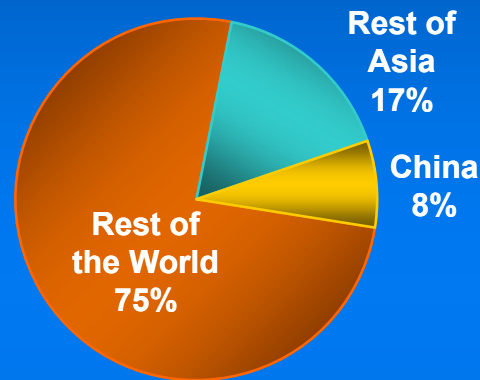
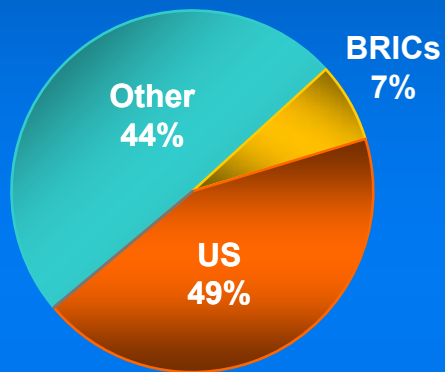
# Development of International Markets

### Global M&A Activity<sup>1</sup>

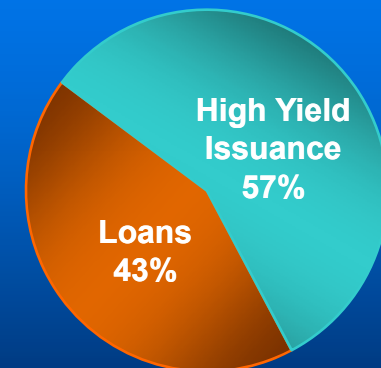
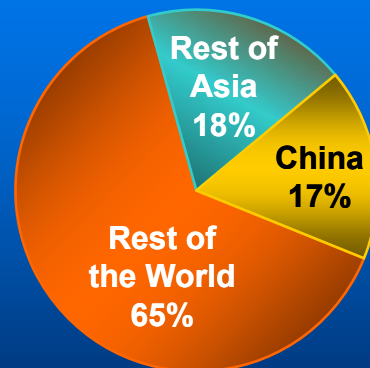
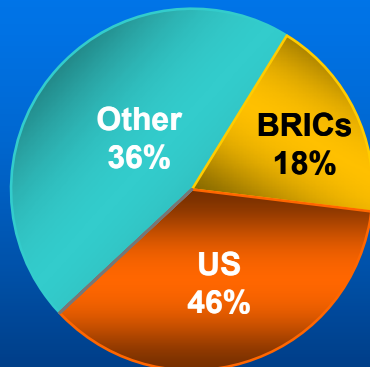
### Global Equity Issuance Market<sup>2</sup>

### Mix of W. European Lev. Fin. Volumes<sup>3</sup>

2005 – 2007



2010 – 2012YTD



<sup>1</sup> Sourced from Thomson as of 10/31/2012

<sup>2</sup> Sourced from Dealogic as of 10/31/2012. Includes IPOs and Follow On offerings

<sup>3</sup> Sourced from LCD Research as of 9/30/2012

# Long-term Drivers of Value Creation

## Franchise and Scale

- GS is #1 in both Global Announced M&A and Global Completed M&A on the 2012 YTD League Tables<sup>1</sup>
- #1 in Equity and Equity Related Underwriting 2012 YTD<sup>1</sup>
- Leading global market maker in fixed income, currency, commodity and equity products
- 2012 Top 10 global asset manager by AUM<sup>2</sup>

## Business Mix

- Institutionally focused businesses, which have tended to deliver higher returns through the cycle
- GS ROE is 12% and 8% higher than peers over the last 5 and 10 years, respectively<sup>3</sup>
- More than 40% of our revenues are from fee-based businesses since 2009 on average<sup>4</sup>

## People

- Acceptance rate remains consistently near 90%
- Average Management Committee tenure is 22 years

<sup>1</sup> League table data provided by Thomson as of 9/30/2012

<sup>2</sup> Ranking universe includes BlackRock, State Street, Vanguard, Fidelity, PIMCO, JPM, BNY Mellon, The Capital Group, Deutsche Bank, BNP, UBS. AUM for Fidelity and The Capital Group as of 2Q12. AUM for remaining ranking universe as of 3Q12

<sup>3</sup> Peers include MS, JPM, C and BAC. Includes one-month period in December 2008 for GS and MS when fiscal year-ends changed

<sup>4</sup> Fee-based includes Investment Banking, Investment Management, Equities Commissions and Securities Services



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