



## **GOLDMAN SACHS REPORTS SECOND QUARTER EARNINGS PER COMMON SHARE OF \$1.78**

NEW YORK, July 17, 2012 - The Goldman Sachs Group, Inc. (NYSE: GS) today reported net revenues of \$6.63 billion and net earnings of \$962 million for the second quarter ended June 30, 2012. Diluted earnings per common share were \$1.78 compared with \$1.85 for the second quarter of 2011 and \$3.92 for the first quarter of 2012. Annualized return on average common shareholders' equity (ROE)<sup>(1)</sup> was 5.4% for the second quarter of 2012 and 8.8% for the first half of 2012.

### **Highlights**

- Goldman Sachs continued its leadership in investment banking, ranking first in worldwide announced and completed mergers and acquisitions for the year-to-date.<sup>(2)</sup>
- Book value per common share and tangible book value per common share<sup>(3)</sup> both increased approximately 2% during the quarter to \$137.00 and \$126.12, respectively.
- The firm continues to manage its liquidity and capital conservatively. The firm's global core excess liquidity<sup>(4)</sup> was \$175 billion as of June 30, 2012. In addition, the firm's Tier 1 capital ratio under Basel 1<sup>(5)</sup> was 15.0% and the firm's Tier 1 common ratio under Basel 1<sup>(6)</sup> was 13.1% as of June 30, 2012.

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“During the second quarter, market conditions deteriorated and activity levels for both corporate and investing clients were lower given continued instability in Europe and concerns about global growth,” said Lloyd C. Blankfein, Chairman and Chief Executive Officer. “Still, we remain focused on meeting our clients' needs, while prudently managing our capital, liquidity and risk.”

## Net Revenues

### **Investment Banking**

Net revenues in Investment Banking were \$1.20 billion, 17% lower than the second quarter of 2011 and 4% higher than the first quarter of 2012. Net revenues in Financial Advisory were \$469 million, 26% lower than the second quarter of 2011, reflecting a decline in industry-wide completed mergers and acquisitions. Net revenues in the firm's Underwriting business were \$734 million, 9% lower than the second quarter of 2011. Net revenues in equity underwriting were significantly lower compared with the second quarter of 2011, principally due to a decline in industry-wide activity. Net revenues in debt underwriting were higher compared with the second quarter of 2011, reflecting higher net revenues from investment-grade and commercial mortgage-related activity, partially offset by lower net revenues from leveraged finance activity. The firm's investment banking transaction backlog increased compared with the end of the first quarter of 2012.<sup>(7)</sup>

### **Institutional Client Services**

Net revenues in Institutional Client Services were \$3.89 billion, 11% higher than the second quarter of 2011 and 32% lower than the first quarter of 2012.

Net revenues in Fixed Income, Currency and Commodities Client Execution were \$2.19 billion, 37% higher than the second quarter of 2011, reflecting higher net revenues in mortgages and commodities compared with difficult market-making conditions during the second quarter of 2011. During the second quarter of 2012, Fixed Income, Currency and Commodities Client Execution operated in a challenging environment reflecting broad market concerns and uncertainty, which resulted in generally wider credit spreads and lower activity levels compared with the first quarter of 2012.

Net revenues in Equities were \$1.70 billion, 12% lower than the second quarter of 2011, primarily due to lower net revenues in equities client execution, reflecting significantly lower net revenues in derivatives. In addition, commissions and fees were lower compared with the second quarter of 2011, generally consistent with broader market activity. Securities services net revenues were lower compared with the second quarter of 2011, reflecting the impact of slightly lower average customer balances. During the second quarter of 2012, Equities operated in an environment characterized by a decrease in global equity prices and higher volatility levels compared with the first quarter of 2012.

The net gain attributable to the impact of changes in the firm's own credit spreads on borrowings for which the fair value option was elected was not material for the second quarter of 2012.

### **Investing & Lending**

Net revenues in Investing & Lending were \$203 million for the second quarter of 2012. Investing & Lending net revenues were negatively impacted by a decrease in global equity prices and generally wider credit spreads. Results for the second quarter of 2012 included a loss of \$194 million from the firm's investment in the ordinary shares of Industrial and Commercial Bank of China Limited (ICBC) and net losses of \$112 million from other investments in equities, reflecting losses in public equities, largely offset by gains in private equities. In addition, Investing & Lending included net interest income and net gains of \$222 million from debt securities and loans, and other net revenues of \$287 million, principally related to the firm's consolidated investment entities.

## **Investment Management**

Net revenues in Investment Management were \$1.33 billion, 5% higher than the second quarter of 2011 and 13% higher than the first quarter of 2012. The increase in net revenues compared with the second quarter of 2011 was due to significantly higher incentive fees, partially offset by lower management and other fees and lower transaction revenues. During the quarter, assets under management increased \$12 billion to \$836 billion. The increase in assets under management included net inflows of \$16 billion<sup>(8)</sup>, primarily in fixed income and money market assets, partially offset by net market depreciation of \$4 billion, primarily in equity assets.

## **Expenses**

Operating expenses were \$5.21 billion, 8% lower than the second quarter of 2011 and 23% lower than the first quarter of 2012. The firm is in the process of implementing additional expense reduction initiatives.

## **Compensation and Benefits**

The accrual for compensation and benefits expenses (including salaries, estimated year-end discretionary compensation, amortization of equity awards and other items such as benefits) was \$2.92 billion for the second quarter of 2012, a 9% decline compared with the second quarter of 2011. The ratio of compensation and benefits to net revenues for the first half of 2012 was 44.0%.

## **Non-Compensation Expenses**

Non-compensation expenses were \$2.30 billion, 7% lower than the second quarter of 2011 and 4% lower than the first quarter of 2012. The decrease compared with the second quarter of 2011 primarily reflected decreased levels of business activity and the impact of expense reduction initiatives, partially offset by higher impairment charges related to consolidated investment entities during the second quarter of 2012. The second quarter of 2012 included net provisions for litigation and regulatory proceedings of \$67 million.

## **Provision for Taxes**

The effective income tax rate for the first half of 2012 was 33.2%, down slightly from 33.7% for the first quarter of 2012.

## Capital

As of June 30, 2012, total capital was \$239.85 billion, consisting of \$72.86 billion in total shareholders' equity (common shareholders' equity of \$68.01 billion and preferred stock of \$4.85 billion) and \$166.99 billion in unsecured long-term borrowings. Book value per common share was \$137.00 and tangible book value per common share<sup>(3)</sup> was \$126.12, both approximately 2% higher compared with the end of the first quarter of 2012. Book value and tangible book value per common share are based on common shares outstanding, including restricted stock units granted to employees with no future service requirements, of 496.4 million at period end.

On June 1, 2012, The Goldman Sachs Group, Inc. (Group Inc.) issued 17,500.1 shares of Perpetual Non-Cumulative Preferred Stock, Series E (Series E Preferred Stock), for aggregate proceeds of \$1.75 billion.

During the quarter, the firm repurchased 14.3 million shares of its common stock at an average cost per share of \$104.81, for a total cost of \$1.50 billion. The remaining share authorization under the firm's existing repurchase program is 46.0 million shares.<sup>(9)</sup>

Under the regulatory capital guidelines currently applicable to bank holding companies (Basel 1), the firm's Tier 1 capital ratio<sup>(5)</sup> was 15.0% and the firm's Tier 1 common ratio<sup>(6)</sup> was 13.1% as of June 30, 2012, both up slightly compared with March 31, 2012.

## Other Balance Sheet and Liquidity Metrics

- Total assets<sup>(10)</sup> were \$949 billion as of June 30, 2012, compared with \$951 billion as of March 31, 2012.
- Level 3 assets<sup>(10)</sup> were \$47 billion as of June 30, 2012, compared with \$48 billion as of March 31, 2012 and represented 4.9% of total assets.
- The firm's global core excess liquidity<sup>(4)</sup> was \$175 billion as of June 30, 2012 and averaged \$174 billion for the second quarter of 2012, compared with an average of \$167 billion for the first quarter of 2012.

## Dividends

Group Inc. declared a dividend of \$0.46 per common share to be paid on September 27, 2012 to common shareholders of record on August 30, 2012. The firm declared dividends of \$239.58, \$387.50, \$255.56 and \$255.56 per share of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, respectively (represented by depositary shares, each representing a 1/1,000th interest in a share of preferred stock), to be paid on August 10, 2012 to preferred shareholders of record on July 26, 2012. In addition, the firm declared a dividend of \$1,055.56 per share of Series E Preferred Stock to be paid on September 4, 2012 to preferred shareholders of record on August 20, 2012.

The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in all major financial centers around the world.

#### Cautionary Note Regarding Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the firm’s beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside of the firm’s control. It is possible that the firm’s actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. For a discussion of some of the risks and important factors that could affect the firm’s future results and financial condition, see “Risk Factors” in Part I, Item 1A of the firm’s Annual Report on Form 10-K for the year ended December 31, 2011.

Certain of the information regarding the firm’s capital ratios, risk-weighted assets, total assets, level 3 assets and global core excess liquidity consist of preliminary estimates. These estimates are forward-looking statements and are subject to change, possibly materially, as the firm completes its financial statements.

Statements about the firm’s investment banking transaction backlog also may constitute forward-looking statements. Such statements are subject to the risk that the terms of these transactions may be modified or that they may not be completed at all; therefore, the net revenues, if any, that the firm actually earns from these transactions may differ, possibly materially, from those currently expected. Important factors that could result in a modification of the terms of a transaction or a transaction not being completed include, in the case of underwriting transactions, a decline or continued weakness in general economic conditions, outbreak of hostilities, volatility in the securities markets generally or an adverse development with respect to the issuer of the securities and, in the case of financial advisory transactions, a decline in the securities markets, an inability to obtain adequate financing, an adverse development with respect to a party to the transaction or a failure to obtain a required regulatory approval. For a discussion of other important factors that could adversely affect the firm’s investment banking transactions, see “Risk Factors” in Part I, Item 1A of the firm’s Annual Report on Form 10-K for the year ended December 31, 2011.

#### Conference Call

A conference call to discuss the firm’s results, outlook and related matters will be held at 9:30 am (ET). The call will be open to the public. Members of the public who would like to listen to the conference call should dial 1-888-281-7154 (U.S. domestic) or 1-706-679-5627 (international). The number should be dialed at least 10 minutes prior to the start of the conference call. The conference call will also be accessible as an audio webcast through the Investor Relations section of the firm’s web site, [www.gs.com/shareholders](http://www.gs.com/shareholders). There is no charge to access the call. For those unable to listen to the live broadcast, a replay will be available on the firm’s web site or by dialing 1-855-859-2056 (U.S. domestic) or 1-404-537-3406 (international) passcode number 89062398, beginning approximately two hours after the event. Please direct any questions regarding obtaining access to the conference call to Goldman Sachs Investor Relations, via e-mail, at [gs-investor-relations@gs.com](mailto:gs-investor-relations@gs.com).

**THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES**  
**SEGMENT NET REVENUES**  
**(UNAUDITED)**  
*\$ in millions*

	<b>Three Months Ended</b>			<b>% Change From</b>	
	June 30, 2012	March 31, 2012	June 30, 2011	March 31, 2012	June 30, 2011
<b>Investment Banking</b>					
Financial Advisory	\$ 469	\$ 489	\$ 637	(4) %	(26) %
Equity underwriting	239	255	378	(6)	(37)
Debt underwriting	495	410	433	21	14
Total Underwriting	734	665	811	10	(9)
Total Investment Banking	1,203	1,154	1,448	4	(17)
<b>Institutional Client Services</b>					
Fixed Income, Currency and Commodities Client Execution	2,194	3,458	1,599	(37)	37
Equities client execution	510	1,050	623	(51)	(18)
Commissions and fees	776	834	861	(7)	(10)
Securities services	409	367	432	11	(5)
Total Equities	1,695	2,251	1,916	(25)	(12)
Total Institutional Client Services	3,889	5,709	3,515	(32)	11
<b>Investing &amp; Lending</b>					
ICBC	(194)	169	(176)	N.M.	N.M.
Equity securities (excluding ICBC)	(112)	891	686	N.M.	N.M.
Debt securities and loans	222	585	200	(62)	11
Other	287	266	334	8	(14)
Total Investing & Lending	203	1,911	1,044	(89)	(81)
<b>Investment Management</b>					
Management and other fees	1,019	1,003	1,080	2	(6)
Incentive fees	217	58	63	N.M.	N.M.
Transaction revenues	96	114	131	(16)	(27)
Total Investment Management	1,332	1,175	1,274	13	5
Total net revenues	\$ 6,627	\$ 9,949	\$ 7,281	(33)	(9)

	<b>Six Months Ended</b>		<b>% Change From</b>
	June 30, 2012	June 30, 2011	June 30, 2011
<b>Investment Banking</b>			
Financial Advisory	\$ 958	\$ 994	(4) %
Equity underwriting	494	804	(39)
Debt underwriting	905	919	(2)
Total Underwriting	1,399	1,723	(19)
Total Investment Banking	2,357	2,717	(13)
<b>Institutional Client Services</b>			
Fixed Income, Currency and Commodities Client Execution	5,652	5,924	(5)
Equities client execution	1,560	1,602	(3)
Commissions and fees	1,610	1,832	(12)
Securities services	776	804	(3)
Total Equities	3,946	4,238	(7)
Total Institutional Client Services	9,598	10,162	(6)
<b>Investing &amp; Lending</b>			
ICBC	(25)	140	N.M.
Equity securities (excluding ICBC)	779	1,740	(55)
Debt securities and loans	807	1,224	(34)
Other	553	645	(14)
Total Investing & Lending	2,114	3,749	(44)
<b>Investment Management</b>			
Management and other fees	2,022	2,128	(5)
Incentive fees	275	137	101
Transaction revenues	210	282	(26)
Total Investment Management	2,507	2,547	(2)
Total net revenues	\$ 16,576	\$ 19,175	(14)

**THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**(UNAUDITED)**

*In millions, except per share amounts and total staff*

	Three Months Ended			% Change From	
	June 30, 2012	March 31, 2012	June 30, 2011	March 31, 2012	June 30, 2011
<b>Revenues</b>					
Investment banking	\$ 1,206	\$ 1,160	\$ 1,448	4 %	(17) %
Investment management	1,266	1,105	1,188	15	7
Commissions and fees	799	860	894	(7)	(11)
Market making	2,097	3,905	1,736	(46)	21
Other principal transactions	169	1,938	602	(91)	(72)
Total non-interest revenues	5,537	8,968	5,868	(38)	(6)
Interest income	3,055	2,833	3,681	8	(17)
Interest expense	1,965	1,852	2,268	6	(13)
Net interest income	1,090	981	1,413	11	(23)
Net revenues, including net interest income	6,627	9,949	7,281	(33)	(9)
<b>Operating expenses</b>					
Compensation and benefits	2,915	4,378	3,204	(33)	(9)
Brokerage, clearing, exchange and distribution fees	544	567	615	(4)	(12)
Market development	129	117	183	10	(30)
Communications and technology	202	196	210	3	(4)
Depreciation and amortization	409	433	372	(6)	10
Occupancy	214	212	252	1	(15)
Professional fees	213	234	263	(9)	(19)
Insurance reserves	121	157	117	(23)	3
Other expenses	465	474	453	(2)	3
Total non-compensation expenses	2,297	2,390	2,465	(4)	(7)
Total operating expenses	5,212	6,768	5,669	(23)	(8)
Pre-tax earnings	1,415	3,181	1,612	(56)	(12)
Provision for taxes	453	1,072	525	(58)	(14)
Net earnings	962	2,109	1,087	(54)	(11)
Preferred stock dividends	35	35	35	-	-
Net earnings applicable to common shareholders	\$ 927	\$ 2,074	\$ 1,052	(55)	(12)
<b>Earnings per common share</b>					
Basic <sup>(11)</sup>	\$ 1.83	\$ 4.05	\$ 1.96	(55) %	(7) %
Diluted	1.78	3.92	1.85	(55)	(4)
<b>Average common shares outstanding</b>					
Basic	501.5	510.8	531.9	(2)	(6)
Diluted	520.3	529.2	569.5	(2)	(9)
<b>Selected Data</b>					
Total staff at period-end <sup>(12)</sup>	32,300	32,400	35,500	-	(9)

**THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**(UNAUDITED)**

*In millions, except per share amounts*

	<b>Six Months Ended</b>		<b>% Change From</b>
	<b>June 30, 2012</b>	<b>June 30, 2011</b>	<b>June 30, 2011</b>
<b>Revenues</b>			
Investment banking	\$ 2,366	\$ 2,717	(13) %
Investment management	2,371	2,362	-
Commissions and fees	1,659	1,913	(13)
Market making	6,002	6,198	(3)
Other principal transactions	2,107	3,214	(34)
Total non-interest revenues	<u>14,505</u>	<u>16,404</u>	<u>(12)</u>
Interest income	5,888	6,788	(13)
Interest expense	3,817	4,017	(5)
Net interest income	<u>2,071</u>	<u>2,771</u>	<u>(25)</u>
Net revenues, including net interest income	<u>16,576</u>	<u>19,175</u>	<u>(14)</u>
<b>Operating expenses</b>			
Compensation and benefits	7,293	8,437	(14)
Brokerage, clearing, exchange and distribution fees	1,111	1,235	(10)
Market development	246	362	(32)
Communications and technology	398	408	(2)
Depreciation and amortization	842	962	(12)
Occupancy	426	519	(18)
Professional fees	447	496	(10)
Insurance reserves	278	205	36
Other expenses	939	899	4
Total non-compensation expenses	<u>4,687</u>	<u>5,086</u>	<u>(8)</u>
Total operating expenses	<u>11,980</u>	<u>13,523</u>	<u>(11)</u>
Pre-tax earnings	4,596	5,652	(19)
Provision for taxes	1,525	1,830	(17)
Net earnings	<u>3,071</u>	<u>3,822</u>	<u>(20)</u>
Preferred stock dividends	70	1,862	(96)
Net earnings applicable to common shareholders	<u>\$ 3,001</u>	<u>\$ 1,960</u>	<u>53</u>
<b>Earnings per common share</b>			
Basic <sup>(11)</sup>	\$ 5.90	\$ 3.62	63 %
Diluted	5.72	3.40	68
<b>Average common shares outstanding</b>			
Basic	506.1	536.2	(6)
Diluted	524.7	576.4	(9)



**THE GOLDMAN SACHS GROUP, INC. AND SUBSIDIARIES**  
**SELECTED FINANCIAL DATA**  
**(UNAUDITED)**

**Average Daily VaR <sup>(13)</sup>**

*\$ in millions*

	<b>Three Months Ended</b>		
	<b>June 30, 2012</b>	<b>March 31, 2012</b>	<b>June 30, 2011</b>
<b>Risk Categories</b>			
Interest rates	\$ 83	\$ 90	\$ 76
Equity prices	23	29	35
Currency rates	16	15	21
Commodity prices	20	26	39
Diversification effect <sup>(13)</sup>	(50)	(65)	(70)
Total	<u>\$ 92</u>	<u>\$ 95</u>	<u>\$ 101</u>

**Assets Under Management <sup>(14)</sup>**

*\$ in billions*

	<b>As of</b>			<b>% Change From</b>	
	<b>June 30, 2012</b>	<b>March 31, 2012</b>	<b>June 30, 2011</b>	<b>March 31, 2012</b>	<b>June 30, 2011</b>
<b>Asset Class</b>					
Alternative investments	\$ 137	\$ 139	\$ 148	(1) %	(7) %
Equity	127	136	148	(7)	(14)
Fixed income	363	347	352	5	3
Total non-money market assets	<u>627</u>	<u>622</u>	<u>648</u>	<u>1</u>	<u>(3)</u>
Money markets	209	202	196	3	7
Total assets under management	<u>\$ 836</u>	<u>\$ 824</u>	<u>\$ 844</u>	<u>1</u>	<u>(1)</u>

	<b>Three Months Ended</b>		
	<b>June 30, 2012</b>	<b>March 31, 2012</b>	<b>June 30, 2011</b>
Balance, beginning of period	\$ 824	\$ 828	\$ 840
Net inflows / (outflows)			
Alternative investments	(1)	(4)	(3)
Equity	(2)	(5)	(2)
Fixed income	12	1	7
Total non-money market net inflows / (outflows)	<u>9</u>	<u>(8)</u>	<u>2</u>
Money markets	7	(18)	(5)
Total net inflows / (outflows)	<u>16 <sup>(8)</sup></u>	<u>(26)</u>	<u>(3)</u>
Net market appreciation / (depreciation)	(4)	22	7
Balance, end of period	<u>\$ 836</u>	<u>\$ 824</u>	<u>\$ 844</u>

## Footnotes

- (1) Annualized ROE is computed by dividing annualized net earnings applicable to common shareholders by average monthly common shareholders' equity. The table below presents the firm's average common shareholders' equity:

Unaudited, in millions	Average for the	
	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Total shareholders' equity	\$ 71,637	\$ 71,170
Preferred stock	(3,538)	(3,350)
<u>Common shareholders' equity</u>	<u>\$ 68,099</u>	<u>\$ 67,820</u>

- (2) Thomson Reuters – January 1, 2012 through June 30, 2012.

- (3) Tangible common shareholders' equity equals total shareholders' equity less preferred stock, goodwill and identifiable intangible assets. Tangible book value per common share is computed by dividing tangible common shareholders' equity by the number of common shares outstanding, including restricted stock units granted to employees with no future service requirements. Management believes that tangible common shareholders' equity and tangible book value per common share are meaningful because they are measures that the firm and investors use to assess capital adequacy. Tangible common shareholders' equity and tangible book value per common share are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. The table below presents the reconciliation of total shareholders' equity to tangible common shareholders' equity:

Unaudited, in millions	As of June 30, 2012
Total shareholders' equity	\$ 72,855
Preferred stock	(4,850)
Common shareholders' equity	68,005
Goodwill and identifiable intangible assets	(5,400)
<u>Tangible common shareholders' equity</u>	<u>\$ 62,605</u>

- (4) The firm's global core excess represents a pool of excess liquidity consisting of unencumbered, highly liquid securities and cash. These amounts represent preliminary estimates as of the date of this earnings release and may be revised in the firm's Quarterly Report on Form 10-Q for the period ended June 30, 2012 (June 30, 2012 Form 10-Q). For a further discussion of the firm's global core excess liquidity pool, see "Liquidity Risk Management" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the firm's Quarterly Report on Form 10-Q for the period ended March 31, 2012 (March 31, 2012 Form 10-Q).
- (5) The Tier 1 capital ratio equals Tier 1 capital divided by risk-weighted assets. The firm's risk-weighted assets under the Board of Governors of the Federal Reserve System capital adequacy regulations currently applicable to bank holding companies (Basel 1) were approximately \$429 billion as of June 30, 2012. This ratio represents a preliminary estimate as of the date of this earnings release and may be revised in the firm's June 30, 2012 Form 10-Q. For a further discussion of the firm's capital ratios, see "Equity Capital" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the firm's March 31, 2012 Form 10-Q.
- (6) The Tier 1 common ratio equals Tier 1 common capital divided by risk-weighted assets. As of June 30, 2012, Tier 1 common capital was \$56.34 billion, consisting of Tier 1 capital of \$64.44 billion less preferred stock of \$4.85 billion and junior subordinated debt issued to trusts of \$3.25 billion. Management believes that the Tier 1 common ratio is meaningful because it is one of the measures that the firm and investors use to assess capital adequacy. The Tier 1 common ratio is a non-GAAP measure and may not be comparable to similar non-GAAP measures used by other companies. This ratio represents a preliminary estimate as of the date of this earnings release and may be revised in the firm's June 30, 2012 Form 10-Q. For a further discussion of the firm's capital ratios, see "Equity Capital" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the firm's March 31, 2012 Form 10-Q.
- (7) The firm's investment banking transaction backlog represents an estimate of the firm's future net revenues from investment banking transactions where management believes that future revenue realization is more likely than not.
- (8) Includes \$17 billion of fixed income asset inflows in connection with the firm's acquisition of Dwight Asset Management Company LLC.
- (9) The remaining share authorization represents the shares that may be repurchased under the repurchase program approved by the Board of Directors. As disclosed in "Note 19. Shareholders' Equity" in Part I, Item 1 "Financial Statements" in the firm's March 31, 2012 Form 10-Q, share repurchases require approval by the Board of Governors of the Federal Reserve System.
- (10) This amount represents a preliminary estimate as of the date of this earnings release and may be revised in the firm's June 30, 2012 Form 10-Q.
- (11) Unvested share-based payment awards that have non-forfeitable rights to dividends or dividend equivalents are treated as a separate class of securities in calculating earnings per common share. The impact of applying this methodology was a reduction in basic earnings per common share of \$0.02, \$0.01 and \$0.02 for the three months ended June 30, 2012, March 31, 2012 and June 30, 2011, respectively, and \$0.03 and \$0.04 for the six months ended June 30, 2012 and June 30, 2011, respectively.
- (12) Includes employees, consultants and temporary staff.
- (13) VaR is the potential loss in value of the firm's inventory positions due to adverse market movements over a one-day time horizon with a 95% confidence level. Diversification effect equals the difference between total VaR and the sum of the VaRs for the four risk categories. For a further discussion of VaR and the diversification effect, see "Market Risk Management" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the firm's March 31, 2012 Form 10-Q.
- (14) Assets under management include client assets where the firm earns a fee for managing assets on a discretionary basis.