

# Fixed Income Investor Presentation

August 4, 2015

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## Cautionary Note on Forward-Looking Statements

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Today's presentation may include forward-looking statements. These 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.

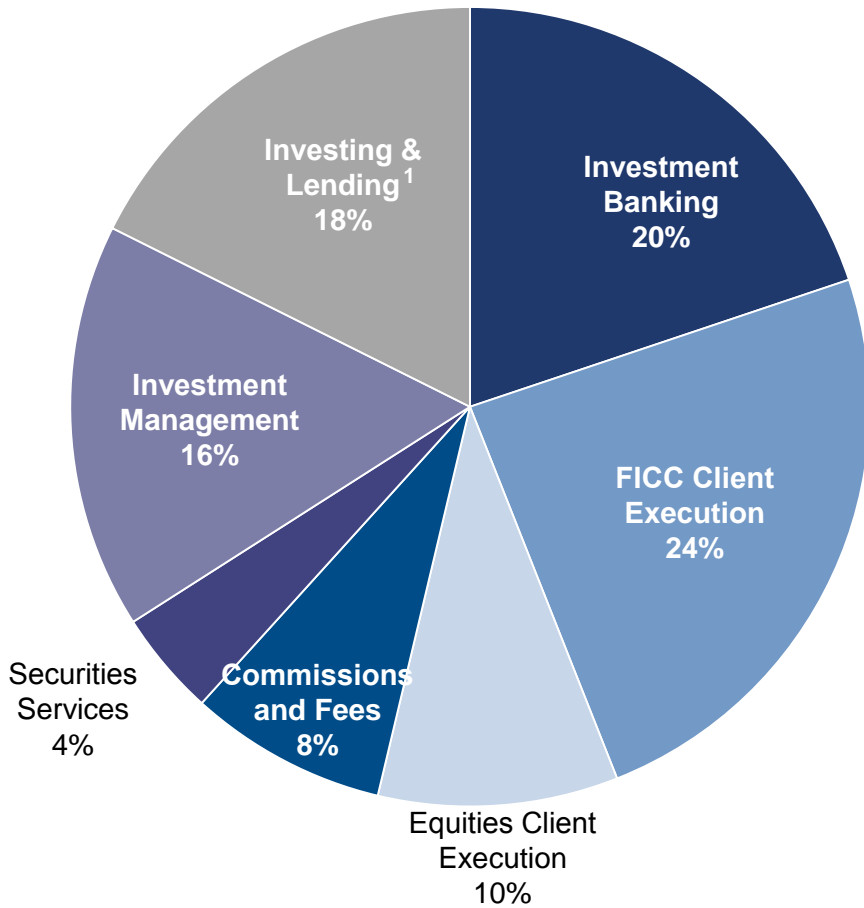
For a discussion of some of the risks and important factors that could affect the Firm's future results and financial condition, see "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014. You should also read the forward-looking disclaimers in our Form 10-Q for the period ended June 30, 2015, particularly as it relates to capital and leverage ratios, and information on the calculation of non-GAAP financial measures that is posted on the Investor Relations portion of our website: [www.gs.com](http://www.gs.com). See the appendix for more information about non-GAAP financial measures in this presentation.

The statements in the presentation are current only as of its date, August 4, 2015.

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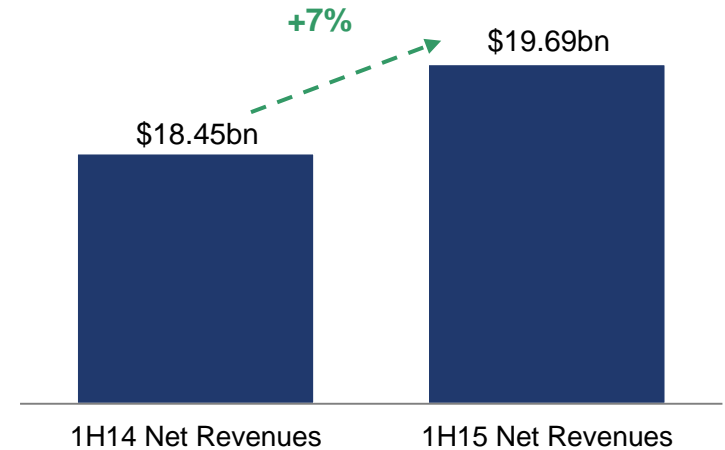
# I. Mid-year in Review

## 1H15 Net Revenues



## 1H15 Results YoY Δ

	<u>Reported</u>	<u>Excluding 2Q15 Litigation Charge<sup>2</sup></u>
Net Revenues	7%	7%
Total Expenses	11%	0%
Pre-tax Margin	-290bps	+440bps
Net Earnings	-4%	27%
ROE	-120bps	+220bps



	<u>1H14</u>	<u>1H15</u>
Reported ROE	10.9%	9.7%
ROE Excl. 2Q15 Litigation Charge <sup>2</sup>	NA	13.1%

**Our goal is to continue to have leading, diverse franchise businesses**

<sup>1</sup> Investing & Lending net revenues of \$3.5bn include Equity Securities net revenues of \$2.4bn and Debt Securities and Loans net revenues of \$1.1bn

<sup>2</sup> Results shown excluding net provisions for mortgage-related litigation and regulatory matters of \$1.45bn recorded in 2Q15

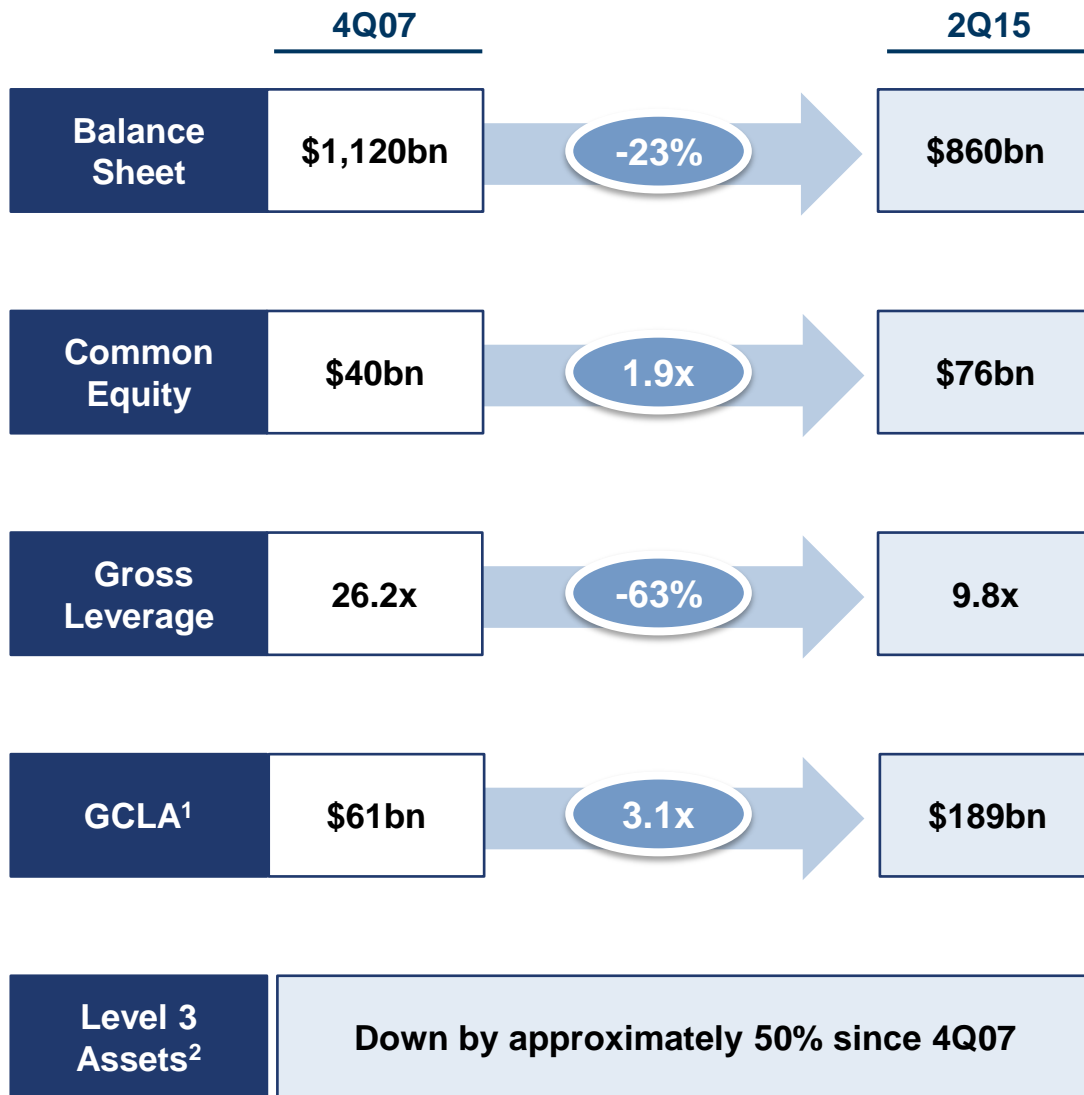
## II. Benefits of Enhanced Regulation

# Regulatory Reforms Require Stronger Credit Profiles

Mid-year in Review

Benefits of Enhanced Regulation

Funding, Liquidity, and Capital Update



**Underpinning these improvements are new regulations that require liquidity and capital at historically high levels and reduce risk, ...**

- Regulatory Capital Requirements
- Supplementary Leverage Ratio
- CCAR Stress Test
- Total Loss Absorbing Capacity
- Liquidity Coverage Ratio
- Net Stable Funding Ratio

**... GS-specific considerations that mitigate risk, ...**

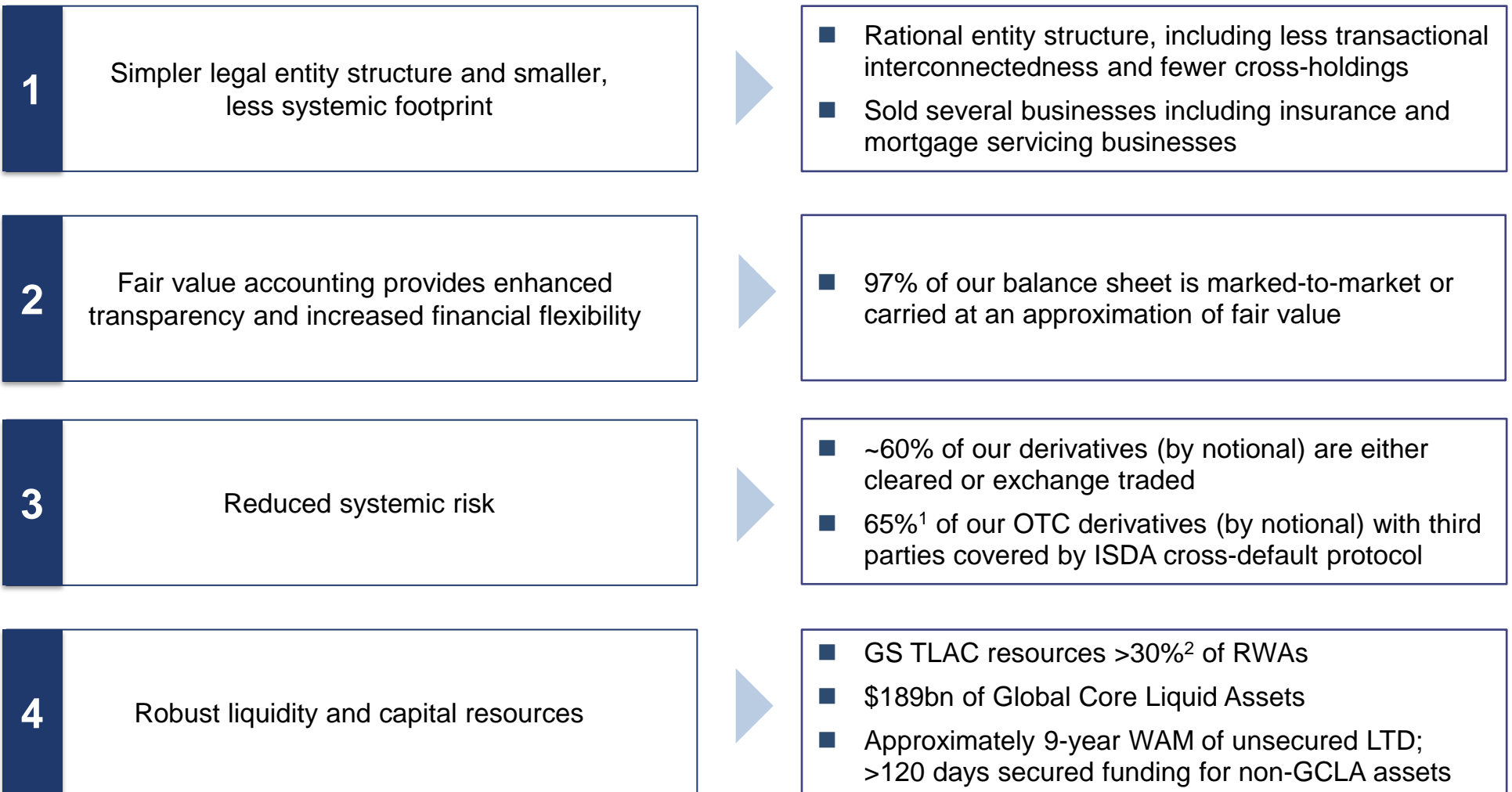
- Strength of franchise and market position
- Caliber of our people
- Strong risk management
- Lower operational risks

**... and a robust Recovery & Resolution Planning process**

<sup>1</sup> Global Core Liquid Assets. Prior to 4Q09, GCLA reflects loan value and subsequent periods reflect fair value

<sup>2</sup> 4Q07 Level 3 Assets included investments in funds held at NAV, 2Q15 excludes these funds

## Key features of GS Resolution Planning



<sup>1</sup> As of 12/31/2014. The protocol will be in effect under Title I once supporting regulation is in place

<sup>2</sup> As of 12/31/2014 more than 30% of our RWAs calculated under the Standardized Capital Rules. TLAC represents total loss absorbing capacity; GS estimate excludes structured notes but otherwise includes our plain vanilla bullet and callable long-term debt issued by our Holding Company without regard to possible subordination or other requirements

### III. Funding, Capital and Liquidity Update



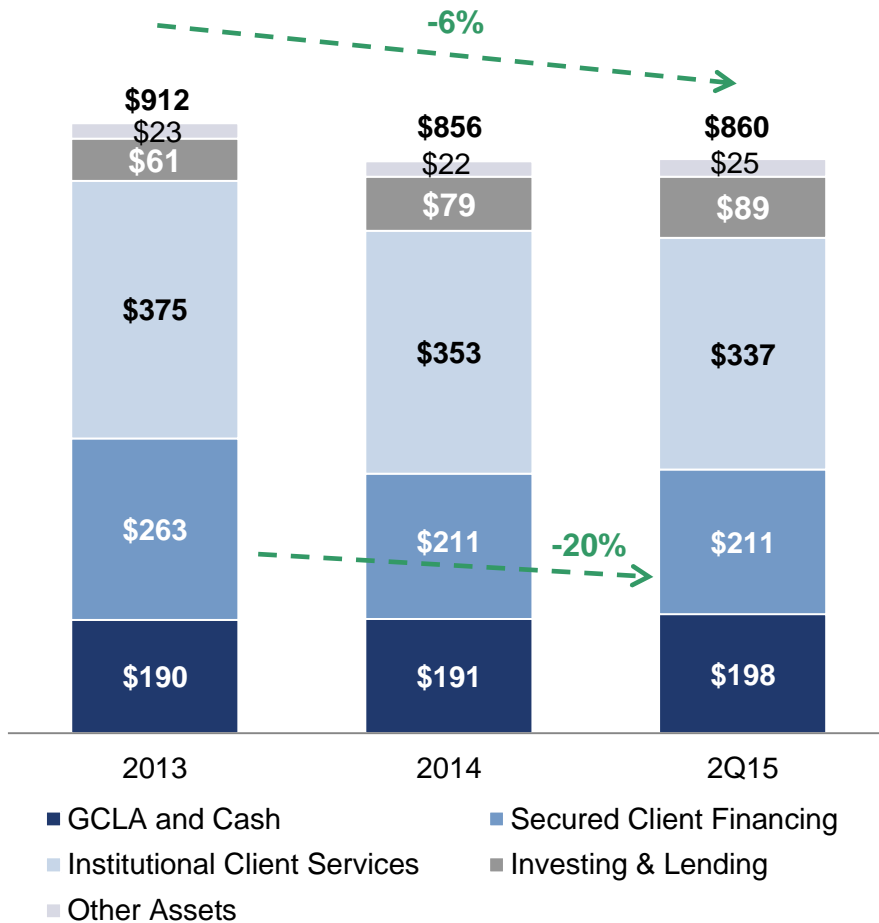
# Balance Sheet Optimization

Mid-year in Review

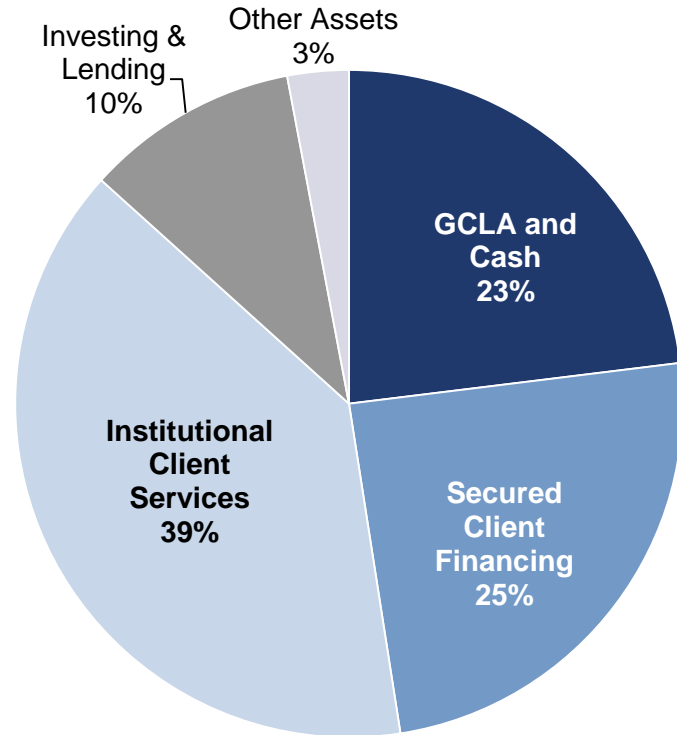
Benefits of Enhanced Regulation

Funding, Liquidity, and Capital Update

## Balance Sheet Reduction: 2013 to 2Q15



## 2Q15 Balance Sheet Mix



- 10% in I&L investments
- 64% for ICS and Secured Client Financing needs
- Over 20% in GCLA and cash

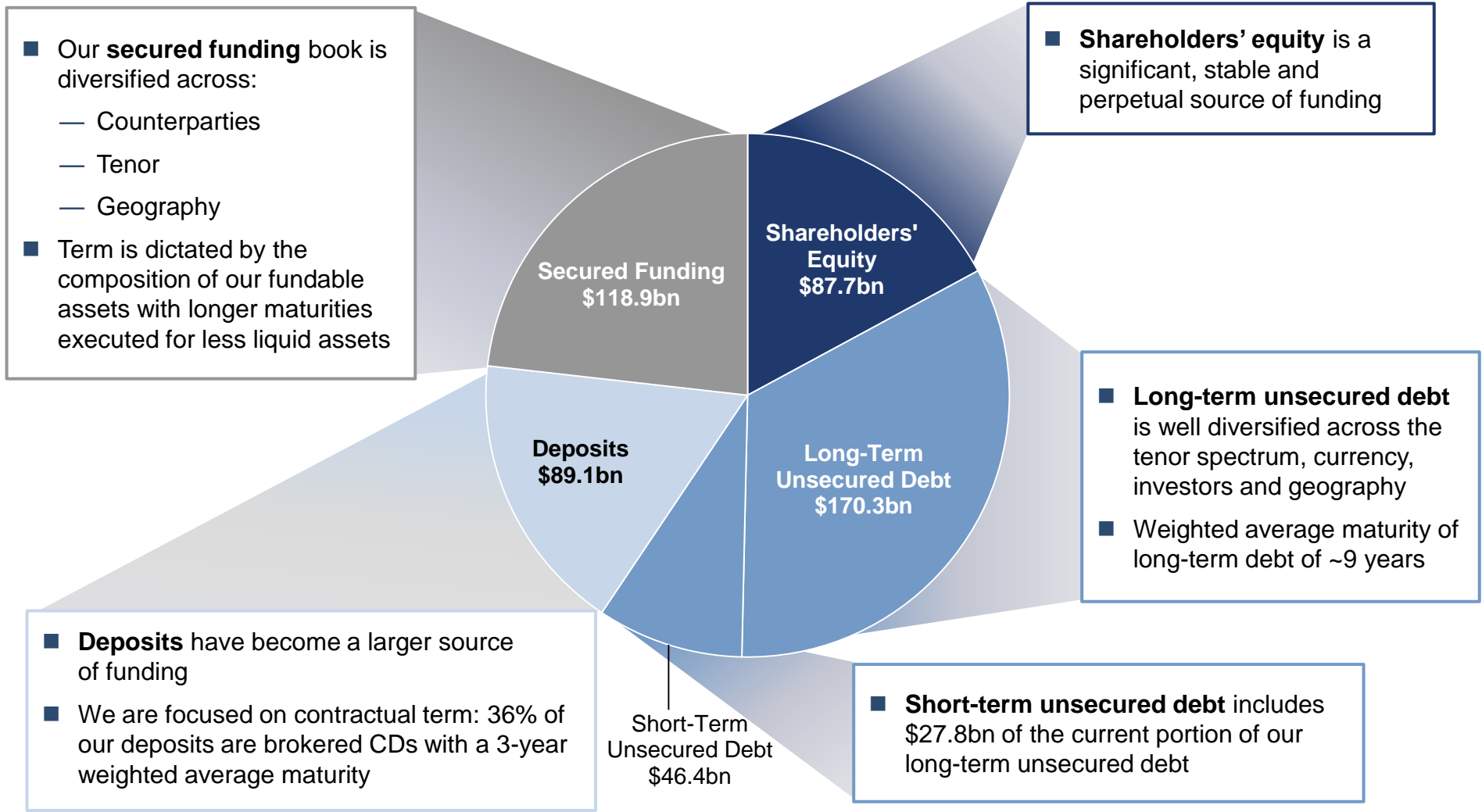
**We have been actively adapting our businesses and our highly liquid, fair value balance sheet to comply with new regulations**

# Diversification of Funding Sources

Mid-year in Review

Benefits of Enhanced Regulation

Funding, Liquidity, and Capital Update



# Unsecured Funding

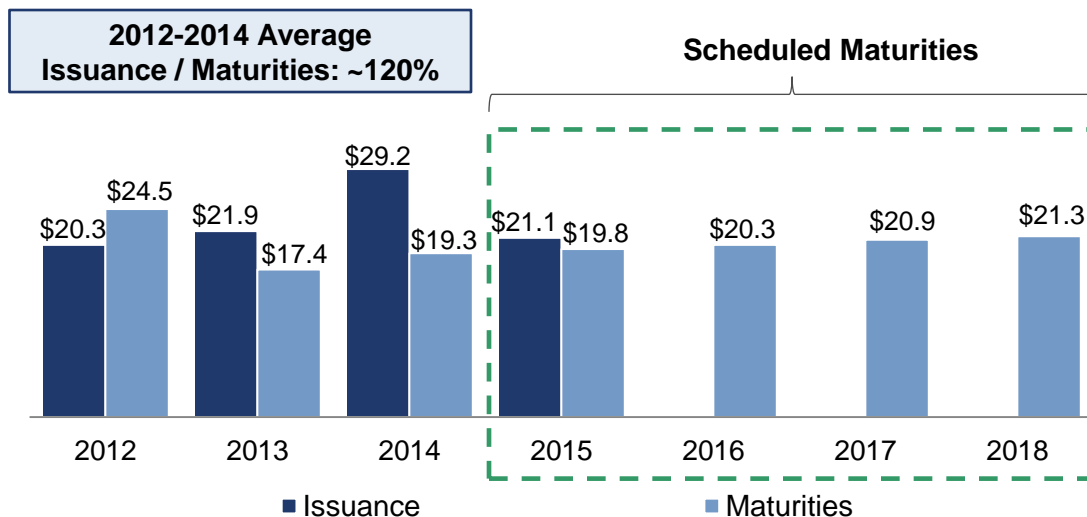
Mid-year in Review

Benefits of Enhanced Regulation

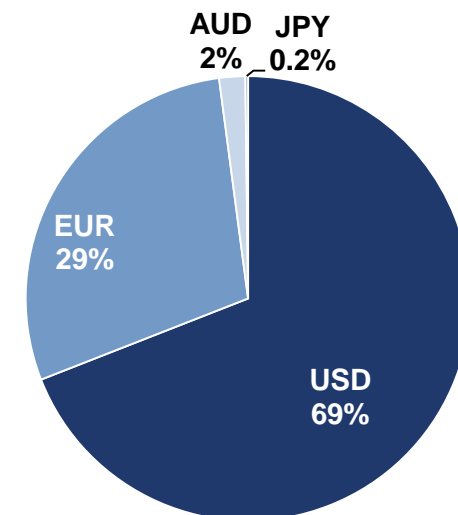
Funding, Liquidity, and Capital Update

- We continue to emphasize term and diversification across currency, channel and instrument
- Year-to-date<sup>1</sup>, we raised \$21.1bn of long-term unsecured vanilla funding:
  - \$11.9bn of fixed-rate notes including \$2.0bn of sub-debt
  - \$7.2bn of floating-rate notes
  - \$2.0bn of fixed-to-floating non-cumulative perpetual preferreds
  - 31% of YTD issuance in non-USD currencies
  - Issuance conducted across the tenor spectrum, with 2, 5, 7, 8, 10, and 30-year maturities, and included several notes with non-round tenors to smooth our maturity profile
  - Approximately 10 year weighted average initial maturity for YTD issuance
- Approximately 9 year WAM for the entire unsecured LT debt portfolio

## GS Group Long-Term Vanilla Issuance vs. Maturities (\$bn)

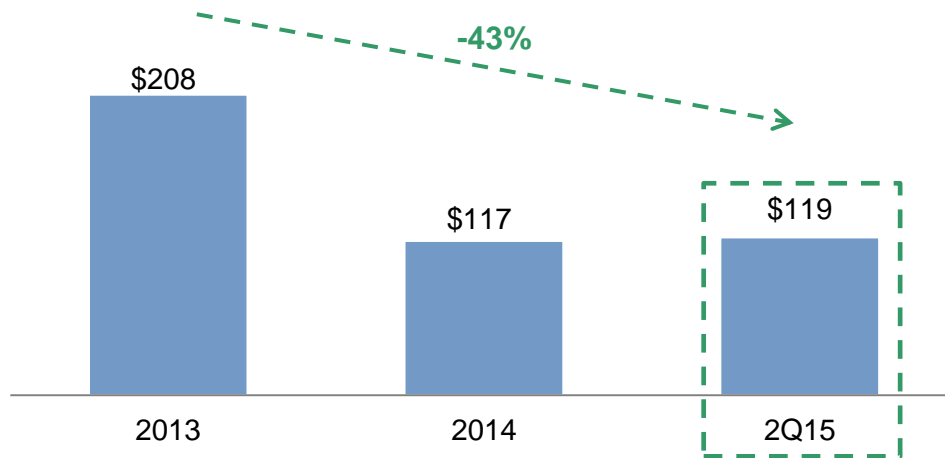


## YTD Issuance (\$21.1bn) by Currency

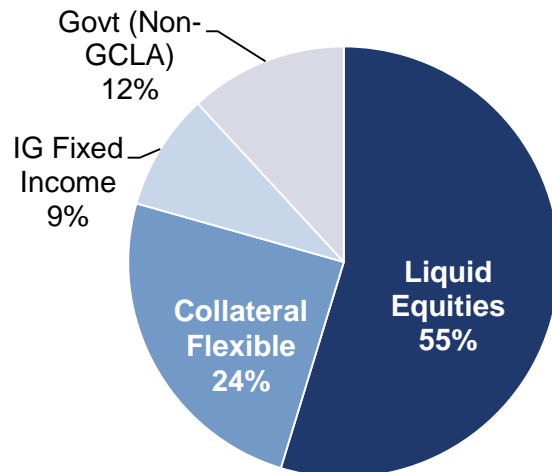


<sup>1</sup> Issuance as of July 27, 2015

## GS Collateralized Financing<sup>1</sup> (\$bn)



## 2Q15 Non-GCLA Secured Funding Book<sup>2</sup>



## Secured Funding Principles

- Key Secured Funding Principles:
  - Significant term
  - Counterparty diversification
  - Excess capacity
  - Prefunded liquidity needs
  - Conservative stress testing

## Secured Funding Details

- Over 80 different non-GCLA counterparties from the U.S., EMEA and Asia
- Total Non-GCLA portfolio WAM: >120 days
- Secured funding WAM tenor managed relative to stress estimates of asset liquidity

<sup>1</sup> Includes securities sold under agreements to repurchase, securities loaned, and other secured financings

<sup>2</sup> Based on gross secured funding trades. Secured funding with collateral flexibility is funding capacity where we have contractual rights to post a broad range of collateral, including such assets as Treasuries, equities and non-investment grade debt

# Deposit Growth

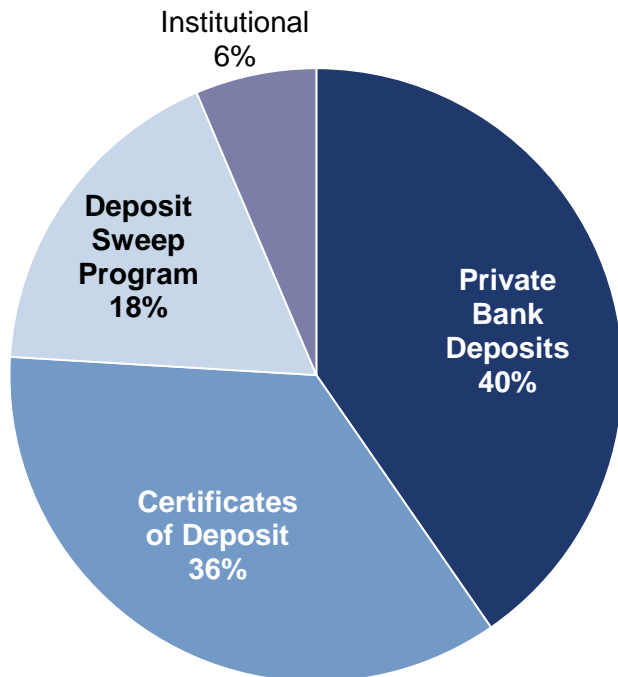
Mid-year in Review

Benefits of Enhanced Regulation

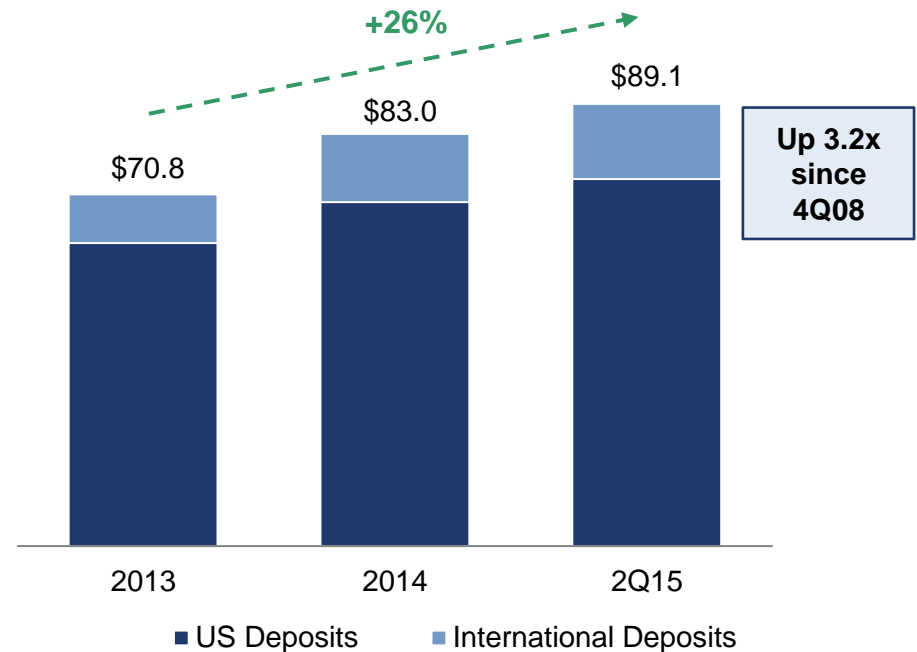
Funding, Liquidity, and Capital Update

- Deposits have become a more meaningful share of the Firm's funding
- In particular, GS Bank USA has raised deposits with an emphasis on long-term CDs, private bank deposits and long-term relationships with broker-dealer aggregators that sweep their client cash to an FDIC-insured deposit at GS Bank USA
- GS International Bank, our main deposit-taking entity in Europe, raises deposits largely in the form of fixed term and on-demand deposits
- 57% of our deposits are FDIC insured

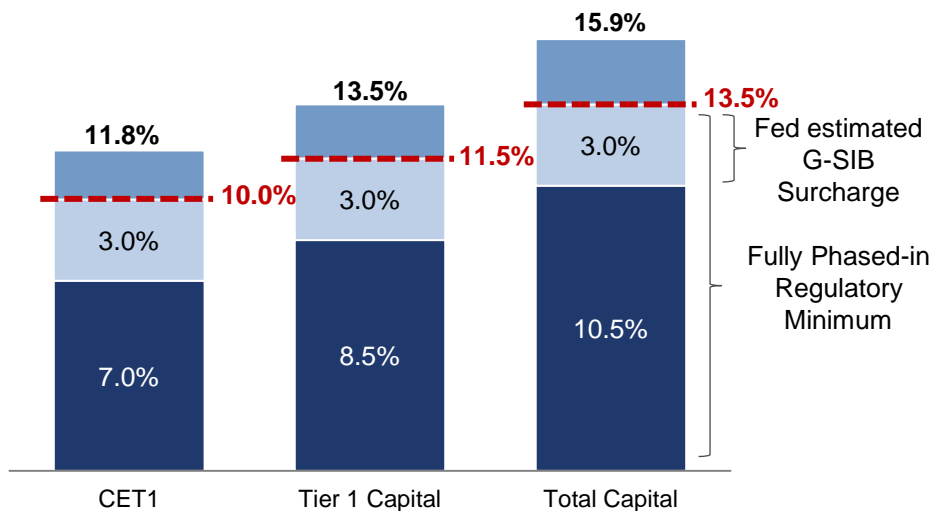
## 2Q15 Deposits: \$89.1bn (12% of Liabilities)



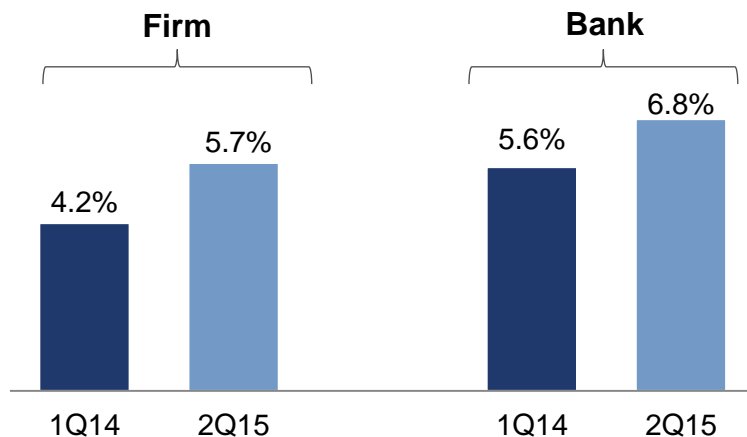
## Deposit Growth Trends (\$bn)



## 2Q15 Standardized Transitional Ratio<sup>1, 2</sup>



## Supplementary Leverage Ratio (SLR)<sup>3</sup>



## 2Q15 Standardized RWAs: \$608bn



- Under the Standardized approach, our CET1 ratio as of 2Q15 was 11.8% on a transitional basis and 11.0% on a fully phased-in basis
- Under the Advanced approach, our CET1 ratio as of 2Q15 was 12.5% on a transitional basis and 11.7% on a fully phased-in basis
- RWAs under the Advanced approach were \$574bn as of 2Q15 on a transitional basis (comprised of ~59% Credit RWAs, ~24% Market RWAs and ~17% Operational RWAs)
- As of 2Q15 our SLR at the HoldCo of 5.7% and GS Bank USA of 6.8% are compliant with the 2018 minimums

<sup>1</sup> Calculated under the Standardized approach on a transitional basis based on the Federal Reserve Board's final rules

<sup>2</sup> Based on the Federal Reserve Board's G-SIB final rule issued on 7/20/2015

<sup>3</sup> SLR reflects our best estimate based on the U.S. federal bank regulatory agencies' final rule

# Total Capital

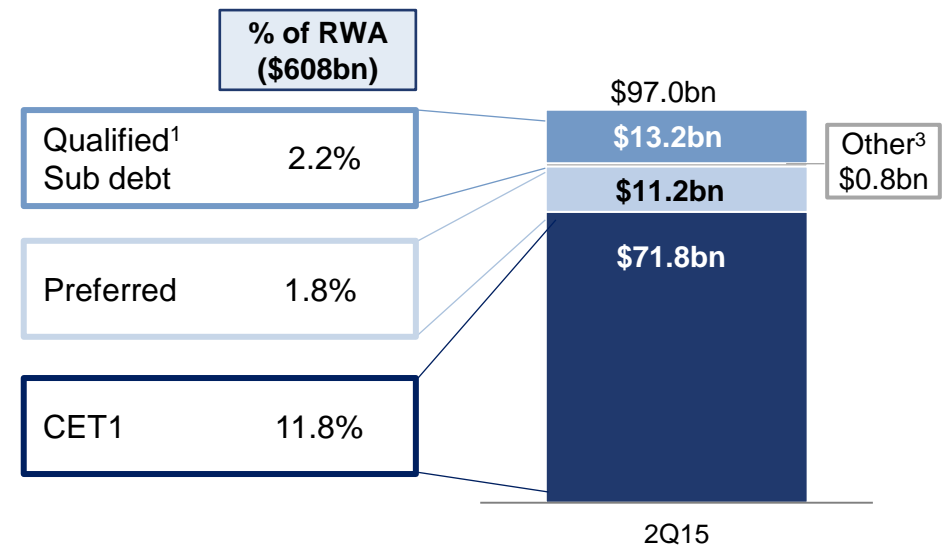
Mid-year in Review

Benefits of Enhanced Regulation

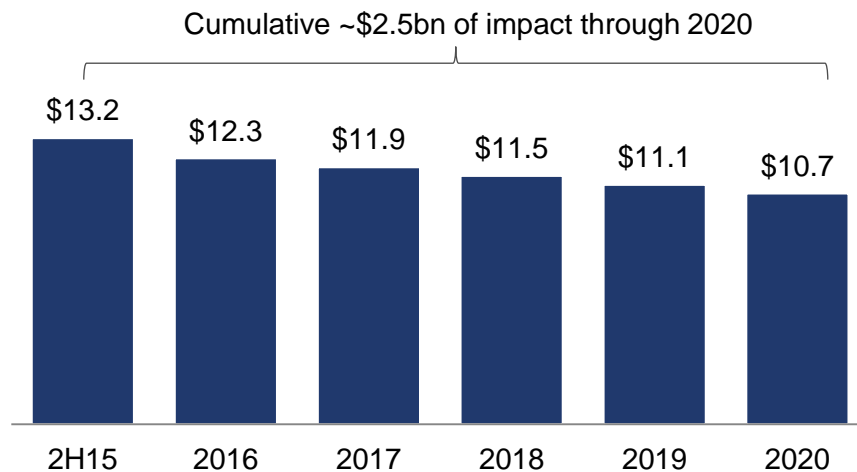
Funding, Liquidity, and Capital Update

- Our Tier 2 capital currently includes:
  - “Qualifying”<sup>1</sup> subordinated debt of ~\$13.2bn
  - Junior subordinated notes of ~\$1.0bn and allowance on loan and lending commitments of ~\$0.4bn
- In 1H15 we issued \$2.0bn of non-cumulative perpetual preferred stock and \$2.0bn of subordinated debt
- We currently exceed the spot minimums for preferreds and subordinated debt due to stress requirements. Our issuance strategy will continue to be opportunistic and informed by the evolution of capital requirements

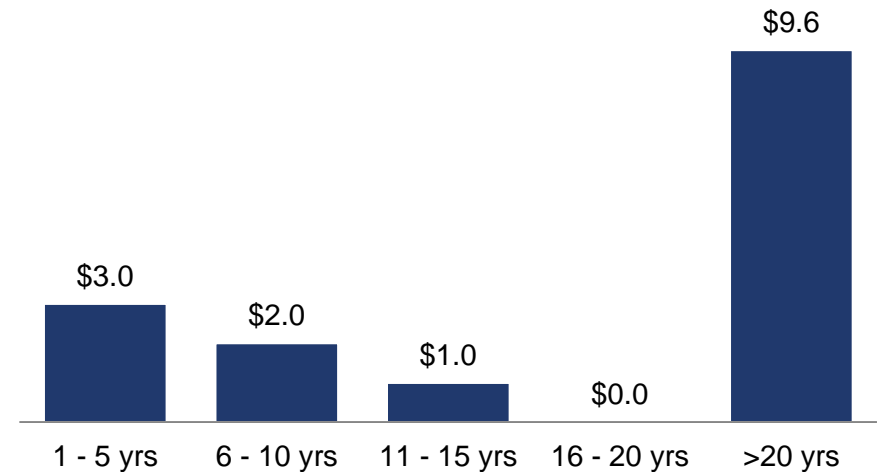
## Total Capital: Standardized Approach



## “Qualified” Subordinated Debt<sup>1</sup> (assuming no new issuance) (\$bn)



## Total Subordinated Debt<sup>2</sup> Maturity Schedule (\$bn)



<sup>1</sup> Reflects subordinated debt which qualifies as capital <sup>2</sup> Total subordinated debt reflected at par value excluding junior subordinated debt and subsidiary issuance

<sup>3</sup> Other includes junior subordinated debt issued to trusts of \$1.3bn, allowance for losses on loans and lending commitments of \$0.4bn and other adjustments to Tier 1 and Tier 2 Capital of negative \$0.9bn

# Liquidity Update

Mid-year in Review

Benefits of Enhanced Regulation

Funding, Liquidity, and Capital Update

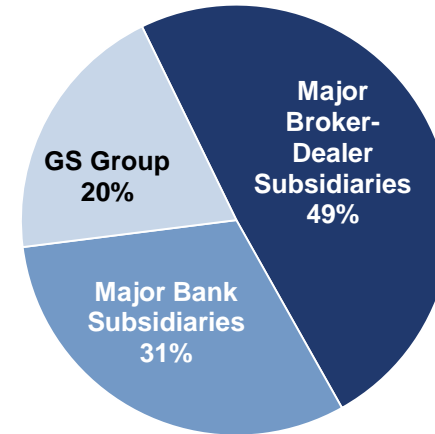
## We maintain material liquidity

- Our liquidity resources are substantial, with Global Core Liquid Assets (GCLA) reflecting more than 20% of our balance sheet in 2Q15
- Approximately 75% of our liquidity pool is made up of U.S. government obligations, overnight cash deposits (which are mainly at the Federal Reserve) and U.S. federal agency obligations, with the balance in high quality non-U.S. government obligations
- Our GCLA is held at our parent company and each of our major bank and broker-dealer subsidiaries to ensure that liquidity is available to meet entity requirements

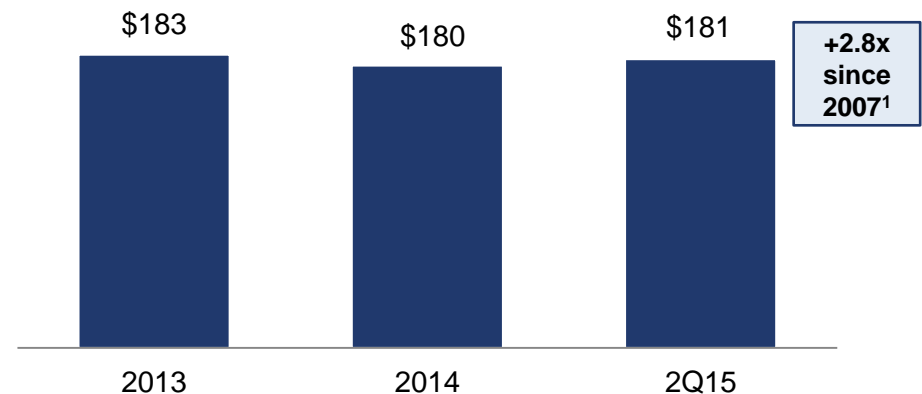
## We continually enhance the models that drive the size of our GCLA

- Our Modeled Liquidity Outflow reflects potential contractual and contingent outflows of cash or collateral
- Our Intraday Liquidity Model provides an assessment of potential intraday liquidity needs

## 2Q15 Average GCLA by entity



## Average GCLA Trend (\$bn)



**Currently exceed the fully phased-in 100% LCR requirement**

<sup>1</sup> Prior to 4Q09, GCLA reflects loan value and subsequent periods reflect fair value



# Appendix



# Appendix

## Non-GAAP Measures

Net Earnings, Operating Expenses, Diluted Earnings per Common Share (EPS), Annualized Return on Average Common Shareholders' Equity (ROE) and Pre-Tax Margin on a GAAP basis and Excluding the Impact of the 2Q15 Net Provisions for Mortgage-Related Litigation and Regulatory Matters (2Q15 Litigation Provision)

(\$ in millions, except per share amounts)

- Management believes that presenting the firm's results excluding the 2Q15 litigation provision of \$1,450 million is meaningful, as it increases the comparability of period-to-period results. Net earnings, operating expenses, diluted EPS, annualized ROE and pre-tax margin excluding the impact of the 2Q15 litigation provision are non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies.
- The table below presents the firm's net earnings, operating expenses, pre-tax margin, diluted EPS and annualized ROE for the six months ended June 2015 on a GAAP basis and excluding the impact of the 2Q15 litigation provision.

	Six Months Ended	
	June 2015	
Net earnings	\$	3,892
Net earnings, excluding the impact of the 2Q15 litigation provision <sup>(1)</sup>	\$	5,169
Total operating expenses	\$	14,026
Total operating expenses, excluding the impact of the 2Q15 litigation provision <sup>(1)</sup>	\$	12,576
Pre-tax margin		28.8 %
Pre-tax margin, excluding the impact of the 2Q15 litigation provision <sup>(1)</sup>		36.1 %
Diluted EPS	\$	7.93
Diluted EPS, excluding the impact of the 2Q15 litigation provision <sup>(1)</sup>	\$	10.69
Annualized ROE		9.7 %
Annualized ROE, excluding the impact of the 2Q15 litigation provision <sup>(1)</sup>		13.1 %

# Appendix

## Non-GAAP Measures

(1) The table below presents the calculation of operating expenses, pre-tax earnings, net earnings, net earnings applicable to common shareholders, diluted EPS, annualized net earnings applicable to common shareholders' equity, and average common shareholders' equity, for the six months ended June 2015, excluding the impact of the 2Q15 litigation provision. Pre-tax margin is computed by dividing pre-tax earnings by net revenues. Annualized ROE is computed by dividing annualized net earnings applicable to common shareholders by average common shareholders' equity.

	Six Months Ended June 2015
Total operating expenses	\$ 14,026
Less: 2Q15 litigation provision	1,450
Total operating expenses, excluding the impact of the 2Q15 litigation provision	\$ 12,576
Pre-tax earnings	\$ 5,660
Add back: 2Q15 litigation provision	1,450
Pre-tax earnings, excluding the impact of the 2Q15 litigation provision	\$ 7,110
Net earnings	\$ 3,892
Add back: 2Q15 litigation provision (net of tax)	1,277
Net earnings, excluding the impact of the 2Q15 litigation provision	\$ 5,169
Net earnings applicable to common shareholders	\$ 3,664
Add back: 2Q15 litigation provision (net of tax)	1,277
Net earnings applicable to common shareholders, excluding the impact of the 2Q15 litigation provision	\$ 4,941
Divided by: average diluted common shares outstanding	462.1
Diluted EPS, excluding the impact of the 2Q15 litigation provision	\$ 10.69
Annualized net earnings applicable to common shareholders	\$ 7,328
Add back: Impact of annualized 2Q15 litigation provision	2,554
Annualized net earnings applicable to common shareholders, excluding the impact of the 2Q15 litigation provision	\$ 9,882
Average common shareholders' equity	\$ 75,467
Add back: Impact of 2Q15 litigation provision	182
Average common shareholders' equity, excluding the impact of the 2Q15 litigation provision	\$ 75,649

# Appendix

## Non-GAAP Measures

- In addition to preparing our consolidated statements of financial condition in accordance with U.S. GAAP, we prepare a balance sheet that generally allocates assets to our businesses, which is a non-GAAP presentation and may not be comparable to similar non-GAAP presentations used by other companies. We believe that presenting our assets on this basis is meaningful because it is consistent with the way management views and manages risks associated with the firm's assets and better enables investors to assess the liquidity of the firm's assets. The tables below present the reconciliations of the balance sheet allocation to our businesses to our U.S. GAAP balance sheet as of June 2015, December 2014 and December 2013.

As of June 2015

<i>\$ in millions</i>	GCLA and Cash		Secured Client Financing		Institutional Client Services		Investing and Lending		Other Assets		Total Assets	
	\$		\$		\$		\$		\$		\$	
Cash and cash equivalents	\$	60,845	\$	-	\$	-	\$	-	\$	-	\$	60,845
Cash and securities segregated for regulatory and other purposes		-		35,340		-		-		-		35,340
Securities purchased under agreements to resell and federal funds sold		65,825		36,027		20,162		1,605		-		123,619
Securities borrowed		36,054		94,584		47,340		-		-		177,978
Receivables from brokers, dealers and clearing organizations		-		11,665		26,569		102		-		38,336
Receivables from customers and counterparties		-		32,934		21,380		2,035		-		56,349
Loans receivable		-		-		-		38,397		-		38,397
Financial instruments owned, at fair value		35,471		-		221,178		46,814		-		303,463
Other assets		-		-		-		-		25,552		25,552
<b>Total assets</b>	<b>\$</b>	<b>198,195</b>	<b>\$</b>	<b>210,550</b>	<b>\$</b>	<b>336,629</b>	<b>\$</b>	<b>88,953</b>	<b>\$</b>	<b>25,552</b>	<b>\$</b>	<b>859,879</b>

# Appendix

## Non-GAAP Measures, continued

As of December 2014

<i>\$ in millions</i>	GCLA and Cash	Secured Client Financing	Institutional Client Services	Investing and Lending	Other Assets	Total Assets
Cash and cash equivalents	\$ 57,600	\$ -	\$ -	\$ -	\$ -	\$ 57,600
Cash and securities segregated for regulatory and other purposes	-	51,716	-	-	-	51,716
Securities purchased under agreements to resell and federal funds sold	66,928	34,506	24,940	1,564	-	127,938
Securities borrowed	32,311	78,584	49,827	-	-	160,722
Receivables from brokers, dealers and clearing organizations	-	8,908	21,656	107	-	30,671
Receivables from customers and counterparties	-	36,927	25,661	1,220	-	63,808
Loans receivable	-	-	-	28,938	-	28,938
Financial instruments owned, at fair value	33,913	-	230,667	47,668	-	312,248
Other assets	-	-	-	-	22,599	22,599
<b>Total assets</b>	<b>\$ 190,752</b>	<b>\$ 210,641</b>	<b>\$ 352,751</b>	<b>\$ 79,497</b>	<b>\$ 22,599</b>	<b>\$ 856,240</b>

As of December 2013

<i>\$ in millions</i>	GCLA and Cash	Secured Client Financing	Institutional Client Services	Investing and Lending	Other Assets	Total Assets
Cash and cash equivalents	\$ 61,133	\$ -	\$ -	\$ -	\$ -	\$ 61,133
Cash and securities segregated for regulatory and other purposes	-	49,671	-	-	-	49,671
Securities purchased under agreements to resell and federal funds sold	64,595	61,510	35,081	546	-	161,732
Securities borrowed	25,113	94,899	44,554	-	-	164,566
Receivables from brokers, dealers and clearing organizations	-	6,650	17,098	92	-	23,840
Receivables from customers and counterparties	-	50,656	22,459	925	-	74,040
Loans receivable	-	-	-	14,895	-	14,895
Financial instruments owned, at fair value	39,022	-	255,534	44,565	-	339,121
Other assets	-	-	-	-	22,509	22,509
<b>Total assets</b>	<b>\$ 189,863</b>	<b>\$ 263,386</b>	<b>\$ 374,726</b>	<b>\$ 61,023</b>	<b>\$ 22,509</b>	<b>\$ 911,507</b>

# Fixed Income Investor Presentation

August 4, 2015

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