



**GOLDMAN SACHS REPORTS SECOND QUARTER
EARNINGS PER COMMON SHARE OF \$4.93**

RECORD QUARTERLY NET REVENUES OF \$13.8 BILLION

NEW YORK, July 14, 2009 - The Goldman Sachs Group, Inc. (NYSE: GS) today reported net revenues of \$13.76 billion and net earnings of \$3.44 billion for its second quarter ended June 26, 2009. Diluted earnings per common share were \$4.93 compared with \$4.58 for the second quarter ended May 30, 2008 and \$3.39 for the first quarter ended March 27, 2009. Annualized return on average common shareholders' equity (ROE) ⁽¹⁾ was 23.0% for the second quarter of 2009 and 18.3% for the first half of 2009.

Excluding a one-time preferred dividend of \$426 million related to the repurchase of the firm's TARP preferred stock, diluted earnings per common share were \$5.71 ⁽²⁾ for the second quarter of 2009 and annualized ROE was 23.8% ⁽²⁾ for the second quarter of 2009 and 19.2% ⁽²⁾ for the first half of 2009.

Business Highlights

- Goldman Sachs ranked first in worldwide announced mergers and acquisitions for the calendar year-to-date. ⁽³⁾
- Equity underwriting produced record quarterly net revenues of \$736 million, surpassing the previous record set in the second quarter of 2000.
- Fixed Income, Currency and Commodities (FICC) generated record quarterly net revenues of \$6.80 billion, reflecting strength across most businesses, including record results in credit products.
- Equities generated record quarterly net revenues of \$3.18 billion, reflecting strong results across the client franchise businesses.
- On June 17, 2009, the firm repurchased the preferred stock that was issued to the U.S. Treasury pursuant to its TARP Capital Purchase Program. In addition, the firm completed a public offering of common stock for proceeds of \$5.75 billion during the quarter.
- Book value per common share increased approximately 8% during the quarter to \$106.41 and tangible book value per common share ⁽⁴⁾ increased approximately 10% during the quarter to \$96.94.

“While markets remain fragile and we recognize the challenges the broader economy faces, our second quarter results reflected the combination of improving financial market conditions and a deep and diverse client franchise,” said Lloyd C. Blankfein, Chairman and Chief Executive Officer. “Our role as an intermediary focused on making markets for buyers and sellers helped drive our performance. We were also active as an underwriter of many significant debt and equity offerings for clients.”

Net Revenues

Investment Banking

Net revenues in Investment Banking were \$1.44 billion, 15% lower than the second quarter of 2008 and 75% higher than the first quarter of 2009.

Net revenues in Financial Advisory were \$368 million, 54% lower than the second quarter of 2008, primarily reflecting a significant decline in industry-wide completed mergers and acquisitions. Net revenues in the firm's Underwriting business were \$1.07 billion, 21% higher than the second quarter of 2008, due to significantly higher net revenues in equity underwriting, as well as higher net revenues in debt underwriting. The increase in equity underwriting reflected very strong client activity. The increase in debt underwriting primarily reflected higher net revenues from investment-grade and municipal activity. The firm's investment banking transaction backlog decreased during the quarter.⁽⁵⁾

Trading and Principal Investments

Net revenues in Trading and Principal Investments were \$10.78 billion, 93% higher than the second quarter of 2008 and 51% higher than the first quarter of 2009.

Net revenues in FICC were \$6.80 billion, significantly higher than the second quarter of 2008. These results reflected particularly strong performances in credit products, interest rate products and currencies, reflecting strength in the client franchise. In addition, net revenues in both mortgages and commodities were higher compared with the second quarter of 2008. Results in mortgages included a loss of approximately \$700 million on commercial mortgage loans. During the quarter, FICC operated in an environment characterized by strong client-driven activity, particularly in more liquid products, favorable market opportunities and tighter corporate credit spreads.

Net revenues in Equities were \$3.18 billion, 28% higher than the second quarter of 2008, reflecting significantly higher net revenues in derivatives and, to a lesser extent, principal strategies. In addition, net revenues in shares were solid, but essentially unchanged compared with the second quarter of 2008. Commissions declined compared with the second quarter of 2008. During the quarter, Equities operated in an environment characterized by solid client-driven activity, favorable market opportunities, a significant increase in global equity prices and a decline in volatility levels.

Principal Investments recorded net revenues of \$811 million for the second quarter of 2009. These results included a gain of \$948 million related to the firm's investment in the ordinary shares of Industrial and Commercial Bank of China Limited (ICBC), a gain of \$343 million from corporate principal investments and a loss of \$499 million from real estate principal investments.

Asset Management and Securities Services

Net revenues in Asset Management and Securities Services were \$1.54 billion, 28% lower than the second quarter of 2008 and 6% higher than the first quarter of 2009.

Asset Management net revenues were \$922 million, 21% lower than the second quarter of 2008, reflecting lower assets under management, principally due to market depreciation since the end of the second quarter of 2008. During the second quarter of 2009, assets under management increased \$48 billion to \$819 billion⁽⁶⁾, due to \$42 billion of market appreciation, primarily in equity and fixed income assets, and \$6 billion of net inflows.

Securities Services net revenues were \$615 million, 38% lower than the second quarter of 2008. The decrease in net revenues primarily reflected the impact of lower customer balances compared with the second quarter of 2008.

Expenses

Operating expenses were \$8.73 billion, 33% higher than the second quarter of 2008 and 28% higher than the first quarter of 2009.

Compensation and Benefits

Compensation and benefits expenses (including salaries, estimated year-end discretionary compensation, amortization of equity awards and other items such as payroll taxes, severance costs and benefits) were \$6.65 billion, which was higher than the second quarter of 2008, primarily due to higher net revenues. The ratio of compensation and benefits to net revenues was 49.0% for the first half of 2009. Total staff decreased 1% during the quarter.

Non-Compensation Expenses

Non-compensation expenses, excluding consolidated entities held for investment purposes⁽⁷⁾, were \$1.80 billion, 8% lower than the second quarter of 2008 and 11% higher than the first quarter of 2009. The decrease compared with the second quarter of 2008 was attributable to lower brokerage, clearing, exchange and distribution fees, principally reflecting lower transaction volumes in Equities. In addition, non-compensation expenses during the second quarter of 2009 were generally lower than the second quarter of 2008 principally due to the impact of reduced staff levels and the effect of expense reduction initiatives. These decreases were partially offset by the impact of higher FDIC fees on bank deposits, including the impact of a special assessment of approximately \$50 million, and net provisions for litigation and regulatory proceedings of \$25 million. The increase in non-compensation expenses related to consolidated entities held for investment purposes reflected real estate impairment charges of approximately \$170 million during the second quarter of 2009. Including consolidated investment entities held for investment purposes, non-compensation expenses were \$2.08 billion, essentially unchanged from the second quarter of 2008 and the first quarter of 2009.

Provision for Taxes

The effective income tax rate for the first half of 2009 was 31.5%, up slightly from 31.0% for the first quarter of 2009.

Capital

As of June 26, 2009, total capital was \$254.05 billion, consisting of \$62.81 billion in total shareholders' equity (common shareholders' equity of \$55.86 billion and preferred stock of \$6.96 billion) and \$191.24 billion in unsecured long-term borrowings. Book value per common share was \$106.41 and tangible book value per common share⁽⁴⁾ was \$96.94, an increase of approximately 8% and 10%, respectively, during the quarter. 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 524.9 million at period end.

During the quarter, The Goldman Sachs Group, Inc. (Group Inc.) completed a public offering of 46.7 million common shares at \$123.00 per share for total proceeds of \$5.75 billion.

On June 17, 2009, Group Inc. repurchased from the U.S. Treasury the 10.0 million shares of the firm's Fixed Rate Cumulative Perpetual Preferred Stock, Series H, that were issued to the U.S. Treasury pursuant to the U.S. Treasury's TARP Capital Purchase Program. The aggregate purchase price paid by Group Inc. to the U.S. Treasury for the Preferred Stock was \$10.04 billion (including accrued dividends). The repurchase included a one-time preferred dividend of \$426 million, which is included in our results for the second quarter of 2009.

Under the regulatory capital guidelines currently applicable to bank holding companies, the firm's Tier 1 capital ratio under Basel I⁽⁶⁾ was 13.8% as of June 26, 2009, up from 13.7% as of March 27, 2009. Under the capital guidelines applicable to the firm when it was regulated by the SEC as a Consolidated Supervised Entity, the firm's Tier 1 capital ratio under Basel II⁽⁸⁾ was 16.1% as of June 26, 2009, up from 16.0% as of March 27, 2009.

Other Balance Sheet and Liquidity Metrics

- Total assets⁽⁹⁾ were \$890 billion as of June 26, 2009, down 4% from March 27, 2009.
- Level 3 assets⁽¹⁰⁾ were approximately \$54 billion as of June 26, 2009 (down from \$59 billion as of March 27, 2009) and represented 6.1% of total assets.
- Average global core excess⁽¹¹⁾ liquidity was \$170.95 billion for the second quarter of 2009, up from \$163.74 billion for the first quarter of 2009.

Dividends

The Board of Directors of Group Inc. (the Board) declared a dividend of \$0.35 per common share to be paid on September 24, 2009 to common shareholders of record on August 25, 2009. The Board also declared dividends of \$236.98, \$387.50, \$252.78 and \$252.78 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, 2009 to preferred shareholders of record on July 26, 2009. In addition, the Board declared a dividend of \$2,500 per share of Series G Preferred Stock to be paid on August 10, 2009 to preferred shareholders of record on July 26, 2009.

The Goldman Sachs Group, Inc. is a leading global financial services firm providing investment banking, securities and investment management 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 London, Frankfurt, Tokyo, Hong Kong and other 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 Private Securities Litigation Reform Act of 1995. 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 Part I, Item 1A of the firm’s Annual Report on Form 10-K for the fiscal year ended November 28, 2008 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the firm’s Annual Report on Form 10-K for the fiscal year ended November 28, 2008.

Certain of the information regarding the firm’s Tier 1 capital ratios, risk-weighted assets, total assets, level 3 assets and average 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 quarterly 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 fiscal year ended November 28, 2008 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the firm’s Annual Report on Form 10-K for the fiscal year ended November 28, 2008.

Conference Call

A conference call to discuss the firm’s results, outlook and related matters will be held at 11:00 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. 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 1-800-642-1687 (U.S. domestic) or 1-706-645-9291 (international) passcode number 17367491, 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.

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

	Three Months Ended			% Change From	
	June 26, 2009	March 27, 2009	May 30, 2008	March 27, 2009	May 30, 2008
Investment Banking					
Financial Advisory	\$ 368	\$ 527	\$ 800	(30) %	(54) %
Equity underwriting	736	48	616	N.M.	19
Debt underwriting	336	248	269	35	25
Total Underwriting	1,072	296	885	N.M.	21
Total Investment Banking	1,440	823	1,685	75	(15)
Trading and Principal Investments					
FICC	6,795	6,557	2,379	4	186
Equities trading	2,157	1,027	1,253	110	72
Equities commissions	1,021	974	1,234	5	(17)
Total Equities	3,178	2,001	2,487	59	28
ICBC	948	(151)	214	N.M.	N.M.
Other corporate and real estate gains and losses	(156)	(1,261)	476	N.M.	N.M.
Overrides	19	4	35	N.M.	(46)
Total Principal Investments	811	(1,408)	725	N.M.	12
Total Trading and Principal Investments	10,784	7,150	5,591	51	93
Asset Management and Securities Services					
Management and other fees	918	931	1,153	(1)	(20)
Incentive fees	4	18	8	(78)	(50)
Total Asset Management	922	949	1,161	(3)	(21)
Securities Services	615	503	985	22	(38)
Total Asset Management and Securities Services	1,537	1,452	2,146	6	(28)
Total net revenues	\$ 13,761	\$ 9,425	\$ 9,422	46	46

	Six Months Ended		% Change From
	June 26, 2009	May 30, 2008	May 30, 2008
Investment Banking			
Financial Advisory	\$ 895	\$ 1,463	(39) %
Equity underwriting	784	788	(1)
Debt underwriting	584	606	(4)
Total Underwriting	1,368	1,394	(2)
Total Investment Banking	2,263	2,857	(21)
Trading and Principal Investments			
FICC	13,352	5,521	142
Equities trading	3,184	2,529	26
Equities commissions	1,995	2,472	(19)
Total Equities	5,179	5,001	4
ICBC	797	79	N.M.
Other corporate and real estate gains and losses	(1,417)	66	N.M.
Overrides	23	48	(52)
Total Principal Investments	(597)	193	N.M.
Total Trading and Principal Investments	17,934	10,715	67
Asset Management and Securities Services			
Management and other fees	1,849	2,276	(19)
Incentive fees	22	202	(89)
Total Asset Management	1,871	2,478	(24)
Securities Services	1,118	1,707	(35)
Total Asset Management and Securities Services	2,989	4,185	(29)
Total net revenues	\$ 23,186	\$ 17,757	31

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 26, 2009	March 27, 2009	May 30, 2008	March 27, 2009	May 30, 2008
Revenues					
Investment banking	\$ 1,440	\$ 823	\$ 1,685	75 %	(15) %
Trading and principal investments	9,322	5,706	5,239	63	78
Asset management and securities services	957	989	1,221	(3)	(22)
Total non-interest revenues	11,719	7,518	8,145	56	44
Interest income	3,470	4,362	9,498	(20)	(63)
Interest expense	1,428	2,455	8,221	(42)	(83)
Net interest income	2,042	1,907	1,277	7	60
Net revenues, including net interest income	13,761	9,425	9,422	46	46
Operating expenses					
Compensation and benefits	6,649	4,712	4,522	41	47
Brokerage, clearing, exchange and distribution fees	574	536	741	7	(23)
Market development	82	68	126	21	(35)
Communications and technology	173	173	192	-	(10)
Depreciation and amortization ⁽¹²⁾	426	549	220	(22)	94
Occupancy	242	241	234	-	3
Professional fees	145	135	185	7	(22)
Other expenses	441	382	370	15	19
Total non-compensation expenses	2,083	2,084	2,068	-	1
Total operating expenses	8,732	6,796	6,590	28	33
Pre-tax earnings	5,029	2,629	2,832	91	78
Provision for taxes	1,594	815	745	96	114
Net earnings	3,435	1,814	2,087	89	65
Preferred stock dividends	717	155	36	N.M.	N.M.
Net earnings applicable to common shareholders	\$ 2,718	\$ 1,659	\$ 2,051	64	33
Earnings per common share					
Basic ⁽¹³⁾	\$ 5.27	\$ 3.48	\$ 4.80	51 %	10 %
Diluted	4.93	3.39	4.58	45	8
Average common shares outstanding					
Basic	514.1	477.4	427.5	8	20
Diluted	551.0	489.2	447.4	13	23
Selected Data					
Total staff at period end ⁽¹⁴⁾	29,400	29,800	35,000	(1)	(16)

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

In millions, except per share amounts

	Six Months Ended		% Change From
	June 26, 2009	May 30, 2008	May 30, 2008
Revenues			
Investment banking	\$ 2,263	\$ 2,851	(21) %
Trading and principal investments	15,028	10,116	49
Asset management and securities services	1,946	2,562	(24)
Total non-interest revenues	<u>19,237</u>	<u>15,529</u>	<u>24</u>
Interest income	7,832	20,743	(62)
Interest expense	3,883	18,515	(79)
Net interest income	<u>3,949</u>	<u>2,228</u>	<u>77</u>
Net revenues, including net interest income	<u>23,186</u>	<u>17,757</u>	<u>31</u>
Operating expenses			
Compensation and benefits	11,361	8,523	33
Brokerage, clearing, exchange and distribution fees	1,110	1,531	(27)
Market development	150	270	(44)
Communications and technology	346	379	(9)
Depreciation and amortization ⁽¹²⁾	975	474	106
Occupancy	483	470	3
Professional fees	280	363	(23)
Other expenses	823	772	7
Total non-compensation expenses	<u>4,167</u>	<u>4,259</u>	<u>(2)</u>
Total operating expenses	<u>15,528</u>	<u>12,782</u>	<u>21</u>
Pre-tax earnings	7,658	4,975	54
Provision for taxes	2,409	1,377	75
Net earnings	<u>5,249</u>	<u>3,598</u>	<u>46</u>
Preferred stock dividends	872	80	N.M.
Net earnings applicable to common shareholders	<u>\$ 4,377</u>	<u>\$ 3,518</u>	<u>24</u>
Earnings per common share			
Basic ⁽¹³⁾	\$ 8.81	\$ 8.18	8 %
Diluted	8.42	7.81	8
Average common shares outstanding			
Basic	495.7	430.3	15
Diluted	520.1	450.6	15

NON-COMPENSATION EXPENSES
(UNAUDITED)
\$ in millions

	Three Months Ended			% Change From	
	June 26, 2009	March 27, 2009	May 30, 2008	March 27, 2009	May 30, 2008
Non-compensation expenses of consolidated investments ⁽⁷⁾	\$ 286	\$ 460	\$ 123	(38) %	133 %
Non-compensation expenses excluding consolidated investments					
Brokerage, clearing, exchange and distribution fees	574	536	741	7	(23)
Market development	80	66	124	21	(35)
Communications and technology	171	172	191	(1)	(10)
Depreciation and amortization ⁽¹²⁾	220	201	184	9	20
Occupancy	223	208	211	7	6
Professional fees	143	133	181	8	(21)
Other expenses	386	308	313	25	23
Subtotal	<u>1,797</u>	<u>1,624</u>	<u>1,945</u>	<u>11</u>	<u>(8)</u>
Total non-compensation expenses, as reported	<u>\$ 2,083</u>	<u>\$ 2,084</u>	<u>\$ 2,068</u>	<u>-</u>	<u>1</u>

	Six Months Ended		% Change From
	June 26, 2009	May 30, 2008	May 30, 2008
Non-compensation expenses of consolidated investments ⁽⁷⁾	\$ 746	\$ 248	N.M. %
Non-compensation expenses excluding consolidated investments			
Brokerage, clearing, exchange and distribution fees	1,110	1,531	(27)
Market development	146	265	(45)
Communications and technology	343	377	(9)
Depreciation and amortization ⁽¹²⁾	421	413	2
Occupancy	431	428	1
Professional fees	276	357	(23)
Other expenses	694	640	8
Subtotal	<u>3,421</u>	<u>4,011</u>	<u>(15)</u>
Total non-compensation expenses, as reported	<u>\$ 4,167</u>	<u>\$ 4,259</u>	<u>(2)</u>

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

Average Daily VaR ⁽¹⁵⁾

\$ in millions

	Three Months Ended		
	June 26, 2009	March 27, 2009	May 30, 2008
Risk Categories			
Interest rates	\$ 205	\$ 218	\$ 144
Equity prices	60	38	79
Currency rates	39	38	32
Commodity prices	40	40	48
Diversification effect ⁽¹⁶⁾	(99)	(94)	(119)
Total	\$ 245	\$ 240	\$ 184

Assets Under Management ⁽¹⁷⁾

\$ in billions

	As of			% Change From	
	June 30, 2009	March 31, 2009	May 31, 2008	March 31, 2009	May 31, 2008
Asset Class					
Alternative investments	\$ 142	\$ 141	\$ 146	1 %	(3) %
Equity	121	101	211	20	(43)
Fixed income	272	248	269	10	1
Total non-money market assets	535	490	626	9	(15)
Money markets	284	281	269	1	6
Total assets under management	\$ 819 ⁽⁶⁾	\$ 771 ⁽⁶⁾	\$ 895	6	(8)

	Three Months Ended		
	June 30, 2009	March 31, 2009	May 31, 2008
Balance, beginning of period	\$ 771	\$ 798	\$ 873
Net inflows / (outflows)			
Alternative investments	(2)	(2)	(3)
Equity	(1)	(1)	(18)
Fixed income	6	(3)	10
Total non-money market net inflows / (outflows)	3	(6)	(11)
Money markets	3	(5)	17
Total net inflows / (outflows)	6 ⁽⁶⁾	(11) ⁽⁶⁾	6
Net market appreciation / (depreciation)	42	(16)	16
Balance, end of period	\$ 819	\$ 771	\$ 895

Principal Investments ⁽¹⁸⁾

\$ in millions

	As of June 26, 2009		
	Corporate	Real Estate	Total
Private	\$ 9,407	\$ 1,812	\$ 11,219
Public	1,747	43	1,790
Subtotal	11,154	1,855	13,009
ICBC ordinary shares ⁽¹⁹⁾	6,269	-	6,269
Total	\$ 17,423 ⁽²⁰⁾	\$ 1,855	\$ 19,278

Footnotes

- (1) Annualized return on average common shareholders' equity (ROE) is computed by dividing annualized net earnings applicable to common shareholders by average monthly common shareholders' equity. The one-time preferred dividend of \$426 million related to the repurchase of the firm's TARP preferred stock (calculated as the difference between the carrying value and the redemption value of the preferred stock) was not annualized in the calculation of annualized net earnings applicable to common shareholders since it has no impact on other quarters in the year. The following table sets forth our average common shareholders' equity:

	Average for the	
	Three Months Ended June 26, 2009	Six Months Ended June 26, 2009
	(unaudited, \$ in millions)	
Total shareholders' equity	\$ 66,870	\$ 65,167
Preferred stock	(14,125)	(15,139)
Common shareholders' equity	<u>\$ 52,745</u>	<u>\$ 50,028</u>

- (2) Management believes that presenting the firm's results excluding the impact of the one-time preferred dividend of \$426 million related to the repurchase of the firm's TARP preferred stock is meaningful because it increases the comparability of period-to-period results. The following tables set forth the calculation of net earnings applicable to common shareholders, diluted earnings per common share and average common shareholders' equity excluding the impact of this one-time preferred dividend:

	For the	
	Three Months Ended June 26, 2009	Six Months Ended June 26, 2009
	(unaudited, in millions, except per share amounts)	
Net earnings applicable to common shareholders	\$ 2,718	\$ 4,377
Impact of one-time TARP preferred dividend	426	426
Net earnings applicable to common shareholders, excluding the impact of one-time TARP preferred dividend	3,144	4,803
Divided by: average diluted common shares outstanding	551.0	520.1
Diluted earnings per common share, excluding the impact of one-time TARP preferred dividend	<u>\$ 5.71</u>	<u>\$ 9.23</u>

	Average for the	
	Three Months Ended June 26, 2009	Six Months Ended June 26, 2009
	(unaudited, \$ in millions)	
Total shareholders' equity	\$ 66,870	\$ 65,167
Preferred stock	(14,125)	(15,139)
Common shareholders' equity	52,745	50,028
Impact of one-time TARP preferred dividend on average common shareholders' equity	107	61
Common shareholders' equity, excluding the impact of one-time TARP preferred dividend on average common shareholders' equity	<u>\$ 52,852</u>	<u>\$ 50,089</u>

- (3) Thomson Reuters – January 1, 2009 through June 26, 2009.

Footnotes (continued)

- (4) 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 is meaningful because it is one of the measures that the firm and investors use to assess capital adequacy. The following table sets forth the reconciliation of total shareholders' equity to tangible common shareholders' equity:

	As of
	June 26, 2009
	(unaudited, \$ in millions)
Total shareholders' equity	\$ 62,813
Preferred stock	(6,957)
Common shareholders' equity	55,856
Goodwill and identifiable intangible assets	(4,973)
Tangible common shareholders' equity	\$ 50,883

- (5) 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.
- (6) Excludes the federal agency pass-through mortgage-backed securities account managed for the Federal Reserve.
- (7) Consolidated entities held for investment purposes are entities that are held strictly for capital appreciation, have a defined exit strategy and are engaged in activities that are not closely related to the firm's principal businesses. For example, these investments include consolidated entities that hold real estate assets, such as hotels, but exclude investments in entities that primarily hold financial assets. Management believes that it is meaningful to review non-compensation expenses excluding expenses related to these consolidated entities in order to evaluate trends in non-compensation expenses related to the firm's principal business activities.
- (8) As a bank holding company, the firm is subject to regulatory capital requirements administered by the Federal Reserve Board. The firm is reporting its Tier 1 capital ratio in accordance with the regulatory capital requirements currently applicable to bank holding companies, which are based on the Capital Accord of the Basel Committee on Banking Supervision (Basel I). The Tier 1 capital ratio equals Tier 1 capital divided by total risk-weighted assets. The firm's risk-weighted assets under Basel I were approximately \$409 billion as of June 26, 2009. The firm continues to disclose its Tier 1 capital ratio in accordance with the capital guidelines applicable to it when the firm was regulated by the SEC as a Consolidated Supervised Entity. These guidelines were generally consistent with those set out in the Revised Framework for the International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee on Banking Supervision (Basel II). The firm's risk-weighted assets under Basel II were approximately \$382 billion as of June 26, 2009. These ratios 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 fiscal period ended June 26, 2009. For a further discussion of the firm's capital requirements, see "Equity Capital" 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 fiscal period ended March 27, 2009.
- (9) This amount represents a preliminary estimate as of the date of this earnings release and may be revised in the firm's Quarterly Report on Form 10-Q for the fiscal period ended June 26, 2009.
- (10) SFAS No. 157, "Fair Value Measurements," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 3 assets reflect prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. For a further discussion of the firm's level 3 assets, see "Critical Accounting Policies – Fair Value – Fair Value Hierarchy – Level 3" 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 fiscal period ended March 27, 2009. This amount represents a preliminary estimate as of the date of this earnings release and may be revised in the firm's Quarterly Report on Form 10-Q for the fiscal period ended June 26, 2009.
- (11) The firm's global core excess represents a pool of excess liquidity consisting of unencumbered, highly liquid securities that may be sold or pledged to provide same-day liquidity, as well as overnight cash deposits. This liquidity is intended to allow the firm to meet immediate obligations without the need to sell other assets or depend on additional funding from credit-sensitive markets in a difficult funding environment. This amount represents the average loan value (the estimated amount of cash that would be advanced by counterparties against these securities), as well as overnight cash deposits, of the global core excess. For a further discussion of the firm's global core excess liquidity pool, please see "Liquidity and Funding Risk" 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 fiscal period ended March 27, 2009. This amount represents a preliminary estimate as of the date of this earnings release and may be revised in the firm's Quarterly Report on Form 10-Q for the fiscal period ended June 26, 2009.
- (12) Beginning in the second quarter of 2009, "Amortization of identifiable intangible assets" is included in "Depreciation and amortization" in the consolidated statements of earnings. Prior periods have been reclassified to conform to the current presentation.

Footnotes (continued)

- (13) Basic earnings per common share for the three and six months ended June 26, 2009 were computed in accordance with FASB Staff Position (FSP) No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," and the impact was a reduction of \$0.02 per basic common share. There was no impact from the adoption of FSP No. EITF 03-6-1 to earnings per basic common share for the quarter ended March 27, 2009. Prior periods have not been restated due to immateriality.
- (14) Includes employees, consultants and temporary staff. Excludes total staff of approximately 3,900, 3,900 and 4,900 as of June 26, 2009, March 27, 2009 and May 30, 2008, respectively, of consolidated entities held for investment purposes. Compensation and benefits includes \$66 million, \$70 million and \$66 million for the three months ended June 26, 2009, March 27, 2009 and May 30, 2008, respectively, attributable to these consolidated entities.
- (15) VaR is the potential loss in value of the firm's trading positions due to adverse market movements over a one-day time horizon with a 95% confidence level. The modeling of the risk characteristics of the firm's trading positions involves a number of assumptions and approximations. While management believes that these assumptions and approximations are reasonable, there is no standard methodology for estimating VaR, and different assumptions and/or approximations could produce materially different VaR estimates. For a further discussion of the calculation of VaR, see Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in the firm's Annual Report on Form 10-K for the fiscal year ended November 28, 2008.
- (16) Equals the difference between total VaR and the sum of the VaRs for the four risk categories. This effect arises because the four market risk categories are not perfectly correlated.
- (17) Substantially all assets under management are valued as of calendar month-end. Assets under management do not include the firm's investments in funds that it manages.
- (18) Represents investments included within the Principal Investments component of the firm's Trading and Principal Investments segment.
- (19) Includes interests of \$3.96 billion as of June 26, 2009 held by investment funds managed by the firm. The fair value of the investment in the ordinary shares of ICBC, which trade on The Stock Exchange of Hong Kong, includes the effect of foreign exchange revaluation for which the firm maintains an economic currency hedge. On April 28, 2009, 20% of the ICBC shares held by the firm became free from transfer restrictions and the firm completed the disposition of these shares during the quarter. The remaining ICBC shares held by the firm are subject to transfer restrictions, which prohibit liquidation at any time prior to April 28, 2010.
- (20) Excludes the firm's investment in the convertible preferred stock of Sumitomo Mitsui Financial Group, Inc. The firm has hedged all of the common stock underlying this investment.