

THE DAILY CHECK-IN WITH GOLDMAN SACHS

**GOLDMAN SACHS' 2020 THIRD-QUARTER EARNINGS
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HOST: LIZ BOWYER, GLOBAL HEAD, BRAND AND CONTENT STRATEGY**

LIZ BOWYER: Hi Stephen.

STEPHEN SCHERR: How are you?

LIZ BOWYER: Good thanks. You're the CFO of Goldman Sachs and we've just reported third quarter earnings. It's been a tough macro economic environment since March. And yet, the firm has reported strong earnings during this period. How do you explain why the firm's businesses have performed reasonably well while economic conditions have been so volatile?

STEPHEN SCHERR: So, at our core Goldman Sachs is an intermediary, meaning we stand in the middle of client flows. We identify clients who have risk that they're looking to lower and perhaps those that are willing to take it on. And so, we stand between those two flows. Very often we will buy from a client. We'll need to hold it before we find a buyer. But we stand in the middle of that and make markets. And we make markets in a variety of different asset classes.

So, as an example, if you look at oil or you look at gold, you know, there may be one part of the world as a supplier that is oversupplied. There may be a part of the world where demand is not being met. And we sound as an intermediary of those flows moving product, moving risk from one party to another.

Equally, if you think about our investment banking business. In moments when there is high confidence or low confidence among our corporate set, very often we need to go out and access sources of capital such that those clients can raise capital, either because they find themselves in a compromised position and need to raise capital in a moment of stress, or out of a moment of strength they're looking for capital to sort of accommodate some of their own strategic ambitions, so buying a company or investing in a particular area or expanding and building a new factory. And so, we're the intermediary of that flow. And those are just some examples, you know, where Goldman Sachs stands in the middle.

And in some respects the direction is not of consequence, meaning more activity, more volatility, more dissymmetry, if you will, in the context of flows feeds our business well because we can make those markets and stand as a provider of capital and stand between client sets, you know, such that our clients can achieve whatever their obvious are.

LIZ BOWYER: So, should we read the firm's performance as an indicator of the broader markets and economic outlook? Or more in isolation as a reflection of the unusual times that we're living in?

STEPHEN SCHERR: Well, given the nature of our business it's always difficult, and hard, you know, to read forward on a particular quarter. What I would say though is that I think the third quarter was gratifying, not just in the result but in what that result represented. And I think it was the byproduct of a considerable amount of work, really over the last two years, to grow our market share and wallet share with our client base. And that's not across just simply investment banking where that traditionally has been a focus, but equality within global markets. And I think the team in global markets has done a great job at elevating our standing with clients.

And so, it leads me to conclude that the results this quarter are a reflection of that deepening of client relationship. And as I look forward, it's hard to predict what the opportunity set would be, but I'm more confident than I've been before at our ability to capture our share of that opportunity set going forward.

LIZ BOWYER: So Stephen, the firm recently announced a series of leadership and organizational changes. Can you provide some insight into the drivers of those changes as they relate to the firm's performance and reporting this quarter?

STEPHEN SCHERR: Sure. So, we announced a number of changes internal, in terms of people who are going to take up division head seats or positions of leadership in businesses. And I would say that the predicate for that goes back to the new segments that we announced consistent and coherent with Investor Day, which is we set up segments and now we've aligned the vision so that they are more closely aligned to our segments. I think it's important that as we step forward there's little light [?] between the way we think about how we operate our business and the way our segments are aligned. And we now have divided up divisions and we have put people in charge of those businesses

who will take responsibility in a way that, you know, meets the border, if you will, of both segment and division. And I think that's a much healthier, cleaner, more effective way of running the firm.

LIZ BOWYER: So, looking forward the macro economic backdrop is likely to remain complicated as the pandemic continues, not to mention the prospect of a prolonged low interest rate environment and a host of other factors, not least of which the US election, which will contribute to an uncertain geopolitical environment. Given that, how are you thinking about the firm's performance in the quarters to come?

STEPHEN SCHERR: Well, in thinking forward to the fourth quarter, I mean, in your question you've listed, you know, a number of items that could give rise to volatility and change in the market: the US presidential election is one, the forward trajectory on COVID is another. There are other more sort of bespoke items that relate to financial services like LIBOR transition and the like. The point being there are probably half a dozen to a dozen circumstances that could come about in the fourth quarter that could give rise to rocky or volatile markets. And to that end, our clients will likely need us. And so, we have set up and thought about all of our resources, whether that's capital or liquidity or even units of risk such that we're in a position to be competitive and to deploy all of those resources on behalf of our clients in what could be a volatile quarter in the coming months.

Obviously, we're only about ten days into the fourth quarter. It's been relatively smooth. But a lot can happen between now and the end of December. And there are plenty of events that could contribute to that kind of volatility.

LIZ BOWYER: So finally, Stephen, looking further ahead to 2021 and beyond, what are your key areas of focus for maintaining the firm's momentum?

STEPHEN SCHERR: Well, I think my principle objective, if not wish, is that 2021 will be a better year than 2020 in all respects. But you know, I think in 2021 and beyond, you'll find the firm really living up to what it articulated back in January as part of its Investor Day, which is we're going to remain very, very focused on our big incumbent businesses. That's number one. Number two, we're going to continue to focus on some of the new initiatives that we set our mind and energy to, whether that's transaction banking or our consumer business or

our alternatives business in fund-raising. All of those new initiatives are guided not as a substitute or to compensate for what's happening in our incumbent businesses, but rather to add to it and to bring more heft and growth to the firm. And so, I suspect that 2021 will be really a focus year for us on the execution of all of that. And hopefully, without the distraction, you know, of all of the issues that kind of befell us all during 2020.

LIZ BOWYER: Thanks Stephen.

STEPHEN SCHERR: Thank you very much. I appreciate your time.

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