Goldman Sachs Presentation to

Bernstein Strategic Decisions Conference

Comments by Gary Cohn, President and Chief Operating Officer

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Thanks Brad, good morning to everyone.

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In the wake of the financial crisis, the future of the financial services industry has been heavily debated. The significant regulatory challenges facing the industry are a natural extension of the crisis, and many aspects of the industry will undoubtedly change. Fortunately, our industry has a long history of responding to evolving customer, market and regulatory demands.

Throughout Goldman Sachs' history, and particularly in pivotal times like these, there have been three principles that have consistently served the firm and its stakeholders. It begins with the firm's most valuable asset - its client franchise. It has been built over 140 years and serves as the foundation of the firm. Driving value for our clients requires world-class people and significant financial resources, and doing it well requires a disciplined approach to allocating our people and our capital.

As a result, it is not surprising that senior management devotes so much of our time to meeting with clients. Over the past year, I have met with over 400 clients in 12 countries. These interactions reinforce the importance and value of our client franchise.

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Our relationships with global corporates, financial institutions, governments and financial sponsors are at the core of our Investment Banking franchise and the key to our firmwide opportunity set. While our investment bankers largely manage these relationships, our job is to bring the entire breadth and capabilities of the firm to bear for each of these clients, and our collaborative culture allows us to do that efficiently every day.

Our ability to bring differentiated content and sound advice to these clients is critical to Goldman Sachs maintaining its industry leading market share in the Advisory business.

Our clients operate in every industry and geography. Despite attractive financing rates and strong cash positions, the M&A cycle has been slower to accelerate than many market participants had expected. While many of our clients are confident in their businesses, corporate leaders are understandably cautious in light of persistent macroeconomic challenges.

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Financing is a critical ingredient to our clients' ability to grow and execute their strategic plans. Our clients demand best-in-class execution and robust distribution capabilities. In 2011 and 2012, equity offerings on which we were the lead bookrunner priced higher and traded better than the street average, reinforcing both our issuer and investor client franchises. Our ability to execute effectively for our clients in both benign and challenging market conditions helped produce a leading market share position globally for Equity and Equity linked transactions in 2011.

We have also made significant progress in recent years in growing our Debt Underwriting franchise. As many of you know, lending is a key driver of debt underwriting market share. We have increased our lending commitments to corporate clients where we see appropriate risk adjusted returns.

We strive to enhance our issuer relationships and expand the opportunities to serve these clients across our businesses.

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Our investing and corporate clients come to Goldman Sachs for a variety of Fixed Income, Currency and Commodity related products because of the breadth of our product offering, our geographic reach, and our strong execution capabilities.

There are multiple client-facing desks across each of our main businesses, providing structuring, capital and liquidity to meet the unique needs of our clients. Our FICC client franchise is geographically diverse, with the mix fairly consistent with our overall revenues. We strive to provide best-in-class execution for these clients regardless of the market environment.

We serve over 5,000 FICC clients globally and our largest clients have traditionally been asset managers, hedge funds and financial institutions. We have a growing presence with corporates and continue to expand our cross selling of fixed income related products.

The business we execute for our clients often represents the basic blocking and tackling of investing or risk management, as demonstrated by the fact that 98 percent of client trades are less than $50,000 in sales credits per ticket.

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While our clients' needs across our businesses have remained largely unchanged, the significant amount of new regulations will likely change how they execute their business. Regulatory reform of this magnitude creates a period of transition and uncertainty. We are focused on maintaining a consistent dialogue with our clients to help them effectively manage the changes ahead. From a technology development perspective,

we are organizing our efforts to build the platforms and systems required to meet their needs.

The impact of regulation on trading costs remains unclear. The potential benefit of more cleared, standardized products will have to be balanced against the potential negative impact of higher capital charges for inventory positions.

Documentation will likely be streamlined to reflect the implementation of Swap Execution Facilities and clearing houses as well as new standards and procedures. This will involve significant upfront cost, but will be very beneficial to our clients longer-term by creating simplicity, standardization and efficiency.

The impact of regulation on market liquidity remains unclear. On one hand, we have the Equities and Foreign Exchange experience of lower spreads driving considerably higher volumes. However, we don't know if this will be replicated in Rates and Credit due to the potential for restrictions on inventory and inter-dealer trading.

Overall, we believe that market structure changes will be beneficial for our clients over time with enhanced transparency and a reduction in systemic risk through increased clearing. By focusing on the impact to our clients, we work to ensure that our franchise remains strong.

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We have one of the strongest equity trading platforms in the world, which allows our clients to trade on 145 exchanges in 58 countries. Our continued investment in technology has positioned us to process an average of 6.9 million executions per day in support of our clients.

Today, our clients want to execute cash and derivative trades across the spectrum of low touch and high touch mechanisms. We invest in scalable systems to ensure that we can execute plain vanilla electronic trades at

competitive prices. We also offer a suite of algorithms that our clients can leverage to more efficiently execute their transactions.

In addition, clients come to Goldman Sachs for block trades and portfolio re-balancing, which often requires risk analysis and capital commitment.

Derivative products are also important to our client franchise. Given shifting volatility patterns, we have seen strong client flows, and derivatives have been a significant contributor to our market making franchise.

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With more than $820 billion in assets under management, our Investment Management business is ranked among the top 10 asset management firms globally. Our platform serves clients in over 120 countries across three principal client segments: Third Party, Private Wealth Management and Institutional.

Third Party provides our fund products to roughly 1,500 distributors who service over 4 million retail investors. Our private wealth business services over 20,000 clients and our Institutional business caters to roughly 800 clients including corporations, non-profits, public organizations, and other financial entities.

Delivering consistent investment performance for our clients is our number one priority. Simply put, investors demand better than benchmark performance across all of our products.

We have faced performance related challenges in certain funds, and have been very focused on improving results. We are pleased that we have made good progress in the last three quarters.

For example, over one, three and five year performance horizons, over 50% of client assets are in mutual funds ranked in the top 2 quartiles. And year-to-date, 80% of client assets are in funds ranked in the top 2 quartiles.

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Our Investing and Lending segment represents a series of businesses through which we can connect two different groups of clients: investors who commit capital alongside Goldman Sachs and companies who need capital to execute their strategic priorities.

Within our Merchant Banking business, we have over $49 billion in equity capital under management, including $7 billion committed by the firm. We are managing and harvesting our current funds to come into compliance with the Volcker Rule, but we remain firmly committed to our Merchant Banking franchise and will continue to source and pursue attractive investments on behalf of our clients.

In addition to equity funds, we have approximately $25 billion in debt funds. We believe that this source of credit extension provides attractive growth capital for our clients.

An important component of our Investing and Lending portfolio is the financing we provide to corporates, middle market companies, and high-net-worth clients. We provide this financing through either directly originated loans, or purchases of existing obligations in the secondary market.

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A challenging macro economic and regulatory backdrop only amplifies the importance of prudently managing our resources. We have a long history of adapting, having managed the transition from a private partnership to a public company and from a US firm to a global institution. We will need to continue to adapt and allocate resources effectively to meet our clients' needs and maximize returns.

There are three primary levers that we can use to enhance returns: revenue, expense and capital management. From a top-line perspective, an improved macroeconomic backdrop and a more active trading

environment will continue to be the primary drivers of our opportunity set. We also believe that Europe and the Growth Markets will provide compelling opportunities for the firm. In addition, we remain focused on cost discipline and operating more efficiently under the new capital regulations.

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In Europe, we believe we have the ability to significantly expand the opportunity set, given the retrenchment of several European competitors. We are beginning to see some benefits and we view the shifting European landscape as potentially providing a competitive opportunity to expand our client franchise.

Many economists believe EU banks are likely to sell nearly $1 trillion in legacy exposures over the next three years and total bank deleveraging could exceed $2 trillion. As a leading global market maker, we are well positioned to intermediate these asset sales and distribute these investment opportunities to our clients.

We have also started to see the shift in European debt issuance from loans to bonds. Goldman Sachs is well positioned to help our clients optimize their capital markets financing activity, particularly in High Yield where we ranked #1 in European High Yield issuances for 2011.

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We have invested a lot of time over the past few years talking about the opportunity in the Growth Markets and we remain committed to our strategy. We continue to believe over the longer-term that GDP in markets like the BRICs will outstrip global growth and will lead to significant opportunities in the capital markets.

We have spent considerable resources in expanding our client coverage footprint and believe that we are now well positioned to benefit from

positive operating leverage. Given the sizable investments we have made, our growth markets business has been a drag on firmwide pre-tax margins. This provides significant upside for improved operating leverage going forward as our investment phase is largely complete.

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The firm remains committed to paying for performance. In 2011, revenues were down 26% and compensation and benefits expense was down 21% with discretionary compensation down significantly more than revenues.

In light of the recent difficult operating environment, our average compensation ratio over the past three years was 39%, nearly 600 basis points lower than our average ratio from 2005-2007 when shareholder returns were higher.

In addition to adhering to our pay for performance philosophy, we recently implemented $1.4 billion of run-rate expense savings to operate more efficiently.

Over the past few years our cost discipline has been evident relative to peers with compensation down nearly 40 percent since 2007 versus a peer average which was down only 1 percent. We will continue to manage our expenses prudently and try to strike the right balance between investing for long term value creation and responding to the current environment.

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A critical component of appropriately managing our human resources is our high value location strategy. This is an effort to build operational excellence outside of our traditional hubs in New York, London, Tokyo and Hong Kong. These cities, which include Bangalore, Salt Lake City, Dallas, and Singapore, now represent 19% of our headcount and allow the firm to access a broader, highly qualified talent pool. Over one third of all new

hires in 2011 and year-to-date 2012 have been brought into a high value location.

From an expense standpoint, these locations tend to cost 40-75% less on average than corresponding hub locations due to cost of living differences. As a result, we are able to attract highly skilled professionals at wages that are attractive for both the firm and our employees in these locations.

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We have been waiting for greater regulatory clarity before more aggressively managing our risk adjusted capital levels. However, some degree of capital optimization is naturally embedded in our risk exposures. Within our credit correlation and mortgage securitization portfolios, we expect $88 billion of risk-weighted assets to roll-off over the next four years. These businesses have not been significant revenue contributors, representing less than 1% of revenue between 2007 and 2011.

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Capital return has been and will continue to be an important driver of shareholder value creation. Since the end of 2009, our buyback program has been able to reduce shares outstanding by 6%, while our peers have increased shares outstanding by 15% on average.

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While questions remain about our return profile going forward, what's clear is that leverage will be significantly lower than some historical levels. We are currently levered at 13x, which is more than 50% lower than peak levels.

If we look back historically and cap the firm's leverage at 20x, average ROEs would still be 17% and only 230bps lower than our reported average.

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Of course leverage is just one input. However, it's clear that lower levels of gearing alone should not markedly lower the firm's return profile.

We do see a number of potential opportunities to offset recent ROE underperformance. An improving macroeconomic outlook would increase investment banking activity levels and help to support the current weak market sentiment.

As it relates to trading ROAs, we see the potential for improvement with greater turnover, shifts in product mix, and potential wider bid-ask spreads as a number of competitors significantly scale back their operations.

We will continue to manage our expenses with a keen eye on the appropriate balance between protecting our franchise and improving returns. There are real opportunities to reduce capital in non-core businesses without a material revenue impact.

While we are not in a position to offer a new ROE target today given the significant regulatory uncertainty, our organization remains intensely focused on maximizing risk adjusted ROEs through the cycle for the benefit of our shareholders. The key to that ongoing focus is our relentless commitment to protecting and enhancing our client franchise.

With that, I'd be happy to take any questions.