

# Fixed Income Investor Presentation

January 29, 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 represent the Firm's belief regarding future events that, by their nature, are uncertain and outside of the Firm's control. The Firm's actual results and financial condition may differ, possibly materially, from what is indicated in those forward-looking statements.

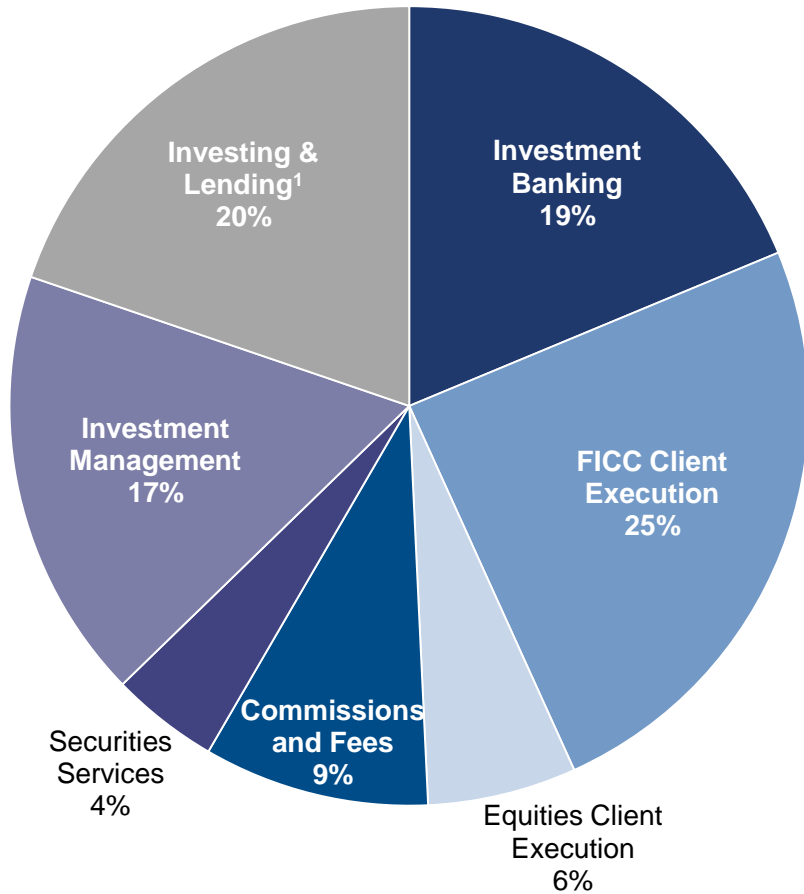
For a discussion of some of the risks and important factors that could affect the Firm's future results and financial condition, please see the description of "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2013. You should also read the forward-looking disclaimer in our quarterly earnings release, particularly as it relates to estimated capital, leverage and liquidity ratios, risk-weighted assets, total assets and global core excess liquidity, 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).

The statements in the presentation are current only as of its date, January 29, 2015.

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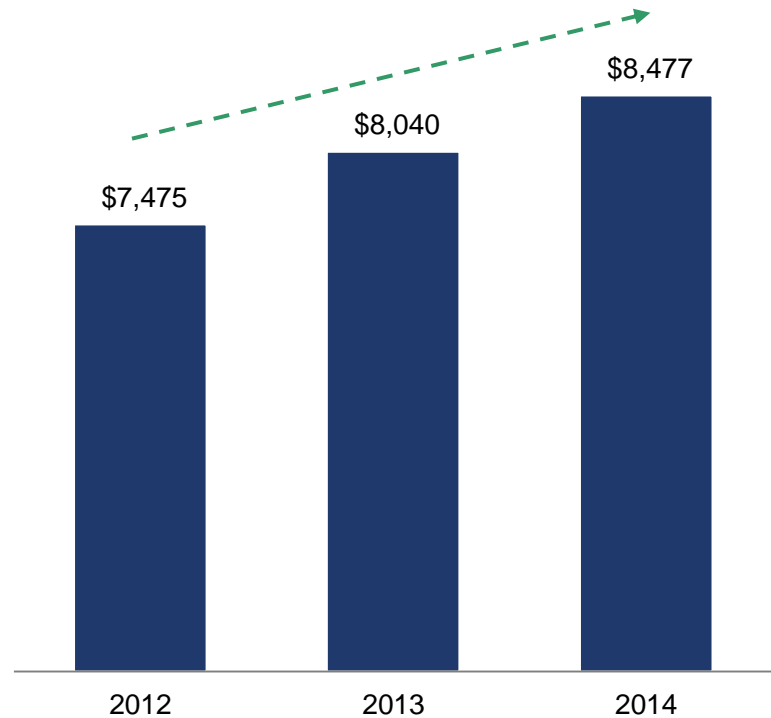
## I. 2014 in Review

## 2014 Net Revenues by Business



## 2012-2014 Net Earnings

Net Revenues: +1%  
 Total Expenses: -3%  
 Net Earnings: +13%



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

<sup>1</sup> Investing & Lending net revenues of \$6.8bn include Equity Securities net revenues of \$3.8bn, Debt Securities and Loans net revenues of \$2.2bn and Other net revenues of \$0.8bn

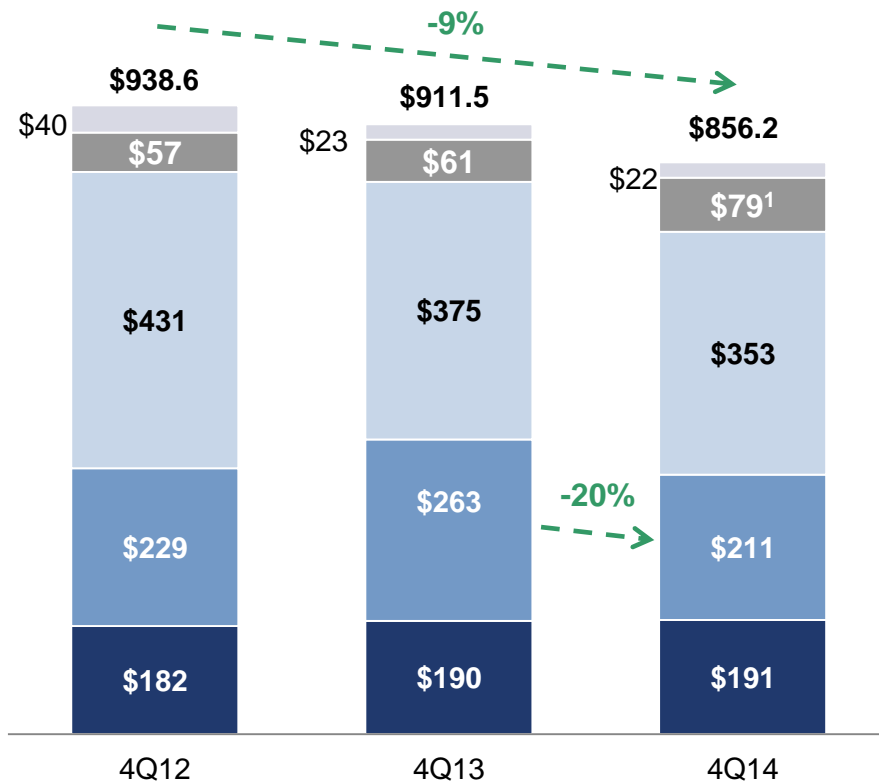
# Balance Sheet Optimization

2014 in Review

Funding, Liquidity, and Capital Update

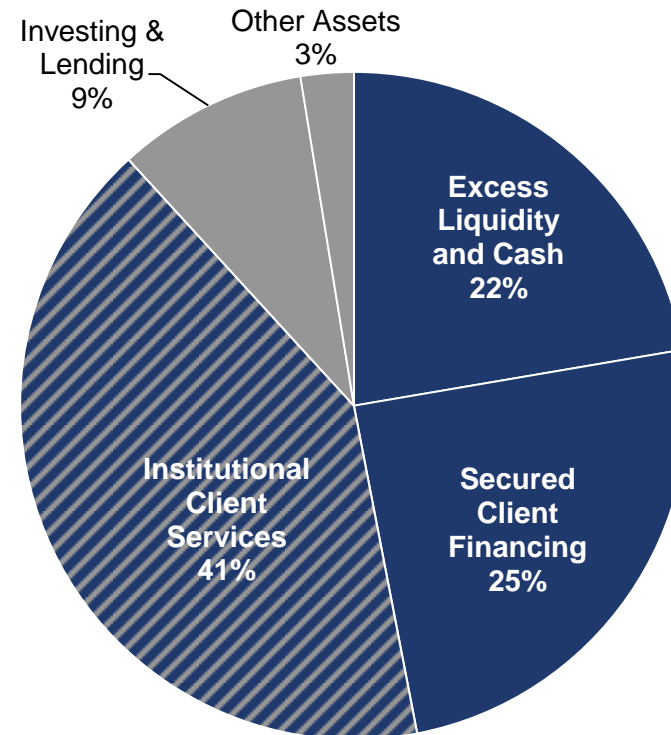
Differentiating our Credit Profile

## Balance Sheet Reduction: 4Q12 vs. 4Q14



- Excess Liquidity and Cash
- Institutional Client Services
- Other
- Secured Client Financing
- Investing & Lending

## 4Q14 Balance Sheet Mix



- Over 20% in excess liquidity and cash
- 66% for ICS and Secured Client Financing needs
- <10% in I&L investments

**We have been actively adapting our business and our highly liquid, marked-to-market balance sheet to comply with new regulations**

<sup>1</sup> Includes Public Equity of \$4bn, Private Equity of \$18bn, Debt of \$25bn, Loans held for investment, at cost of \$29bn and Other receivables of \$3bn

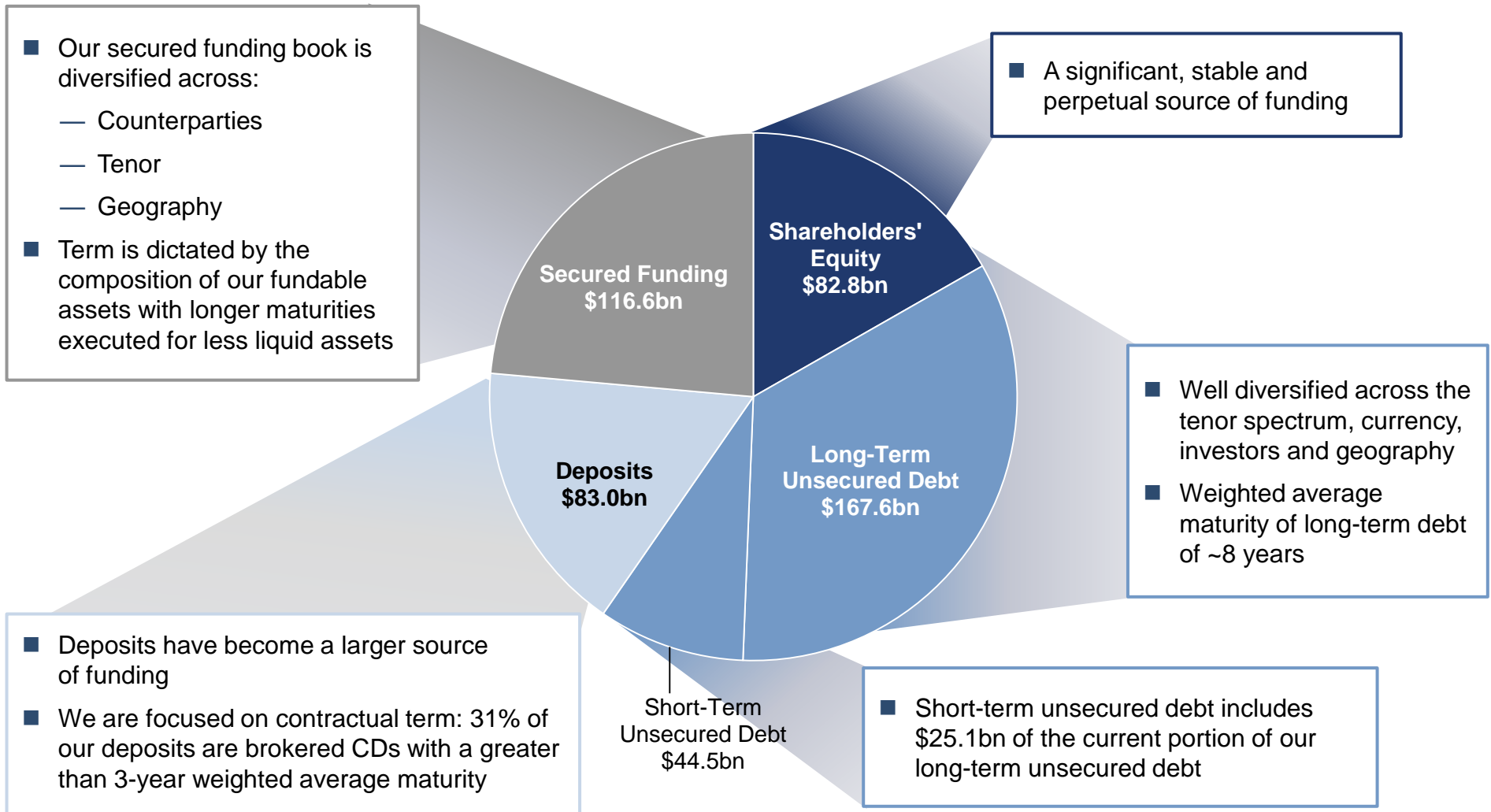
## II. Funding, Liquidity and Capital Update

# Diversification of Funding Sources

2014 in Review

Funding, Liquidity, and Capital Update

Differentiating our Credit Profile



# Unsecured Funding

2014 in Review

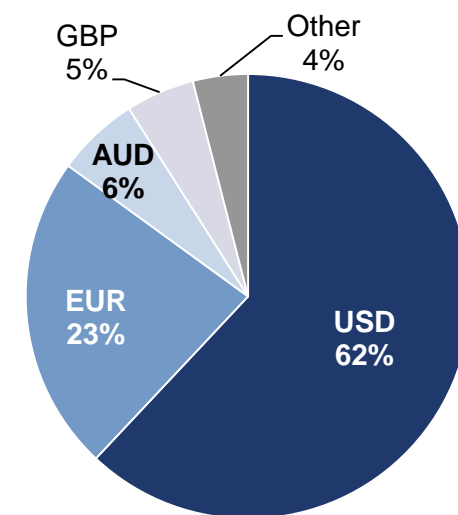
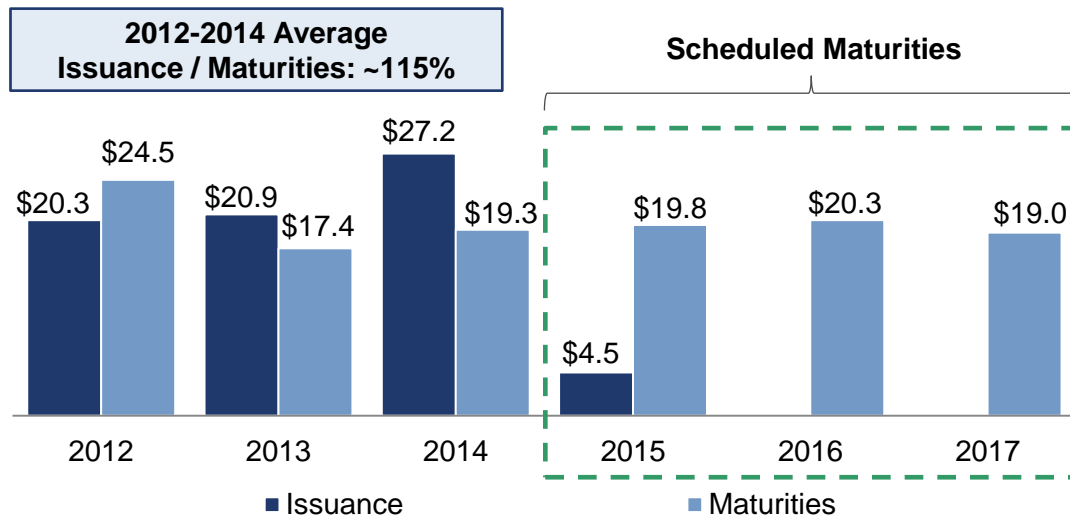
Funding, Liquidity, and Capital Update

Differentiating our Credit Profile

- In 2014, we raised \$27.2bn of long-term unsecured vanilla benchmark funding, including \$20.4bn of fixed-rate notes and \$6.8bn of floating-rate notes
  - 8.6 year weighted average initial maturity at issuance compared to the ~8 year WAM of the entire unsecured long-term debt portfolio
  - 38% of 2014 issuance was in non-USD currencies
- Diversification across currency, channel and tenor remains a key focus
  - Issuance was conducted across the tenor spectrum, with 3, 5, 7, and 10-year maturities. Additionally, we issued several notes with non-round tenors to improve maturity diversification
- We also issued \$2.0bn of perpetual preferreds across two tranches in 2Q14
- In 2015 YTD<sup>1</sup>, we have raised \$4.5bn in long-term unsecured vanilla benchmark funding
- Going forward we expect issuances to roughly match maturities over time, nevertheless, issuance targets will be revisited frequently depending on the size and composition of our balance sheet

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

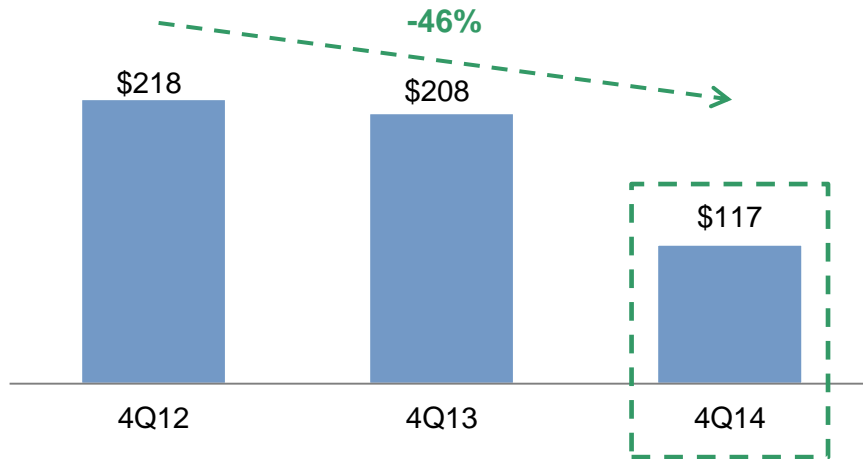
## 2014 Issuance (\$27.2bn) by Currency



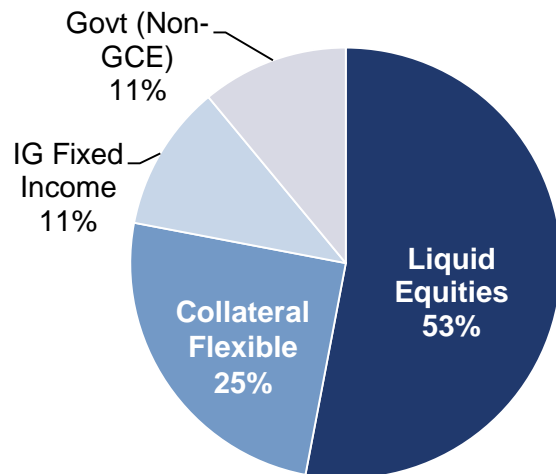
<sup>1</sup> Through 1/22/15



## GS Collateralized Financing<sup>1</sup>



## 4Q14 Non-GCE Secured Funding Book<sup>2</sup>



## Secured Funding Principles

- Significant term
- Counterparty diversification
- Excess capacity
- Prefunded excess liquidity
- Conservative stress testing

## Secured Funding Details

- Over 80 different non-GCE counterparties from the U.S., EMEA and Asia
- Total Non-GCE WAM portfolio: >120 days
- Equities and Collateral Flexible represent over 75% of the non-GCE secured portfolio and both have a WAM significantly greater than 120 days

<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

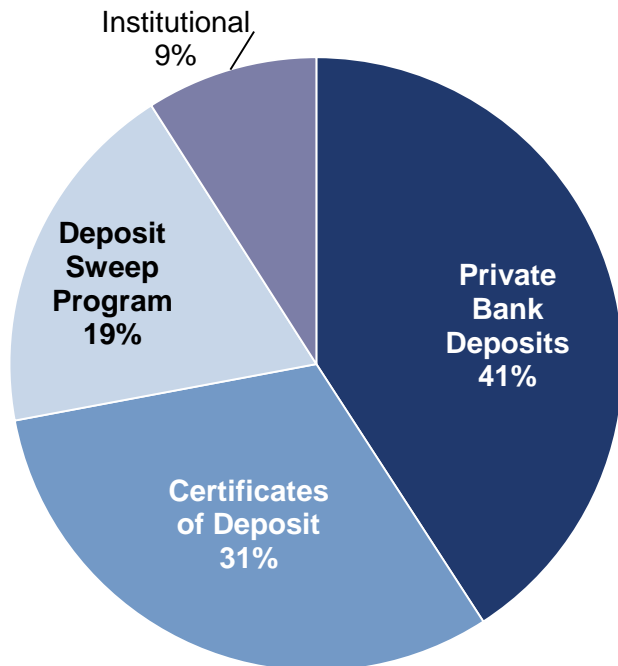
2014 in Review

Funding, Liquidity, and Capital Update

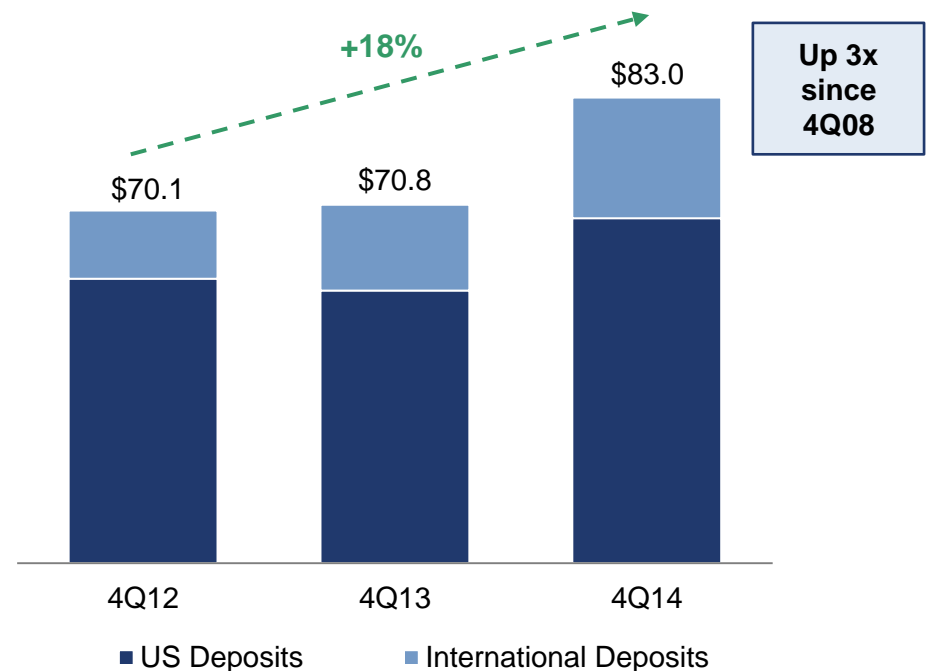
Differentiating our Credit Profile

- As part of the Firm's efforts to diversify its funding base, deposits have become a more meaningful share of the Firm's funding activities, and the Firm has tripled its deposit funding since late 2008
- 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
- More than 50% of our deposits are FDIC insured

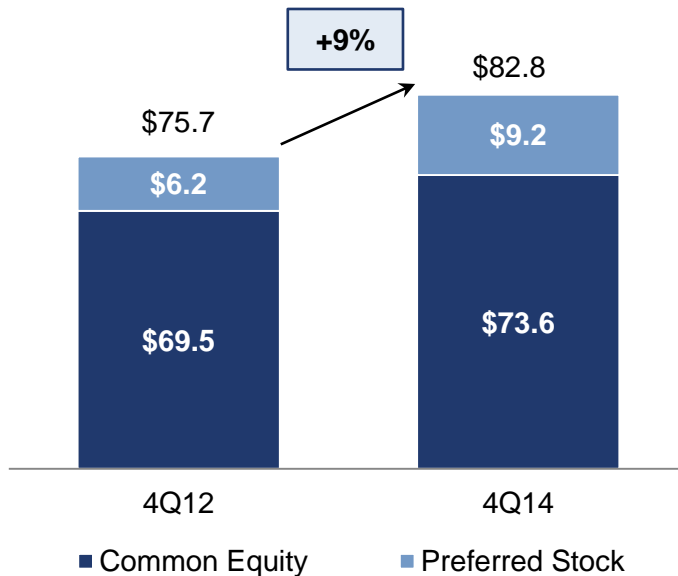
## 4Q14 Deposits: \$83.0bn (11% of Liabilities)



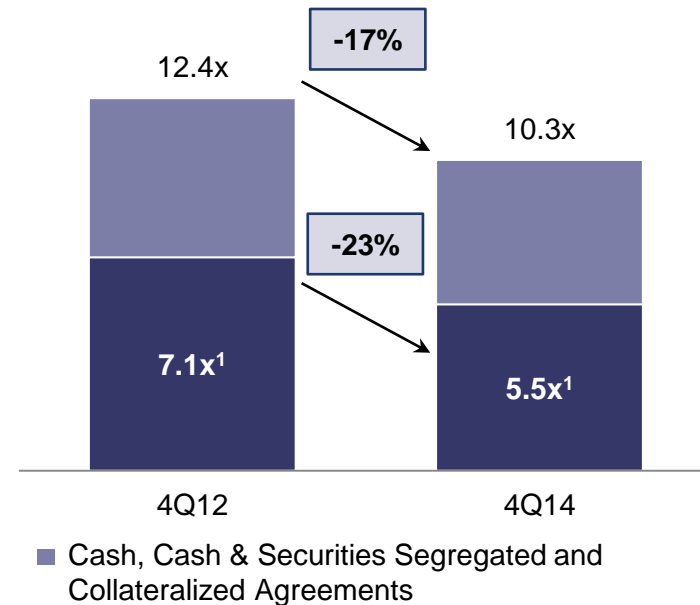
## Deposit Growth Trends (\$bn)



## Shareholders' Equity (\$bn)



## Leverage



### Structurally higher capital levels

- We continue to manage our balance sheet to provide a solid financial foundation as well as meet client needs and regulatory requirements. Our equity base has meaningfully expanded and leverage has decreased to record lows
- Taking a longer-term perspective, since 4Q07 we have seen significant strengthening of our capital base with common equity up 85%, while our leverage ratio has fallen by 61%

**Capital growth coupled with active balance sheet management leaves us well positioned for capital requirements**

<sup>1</sup> Reflects assets excluding cash, cash & securities segregated and collateralized agreements divided by total shareholders' equity

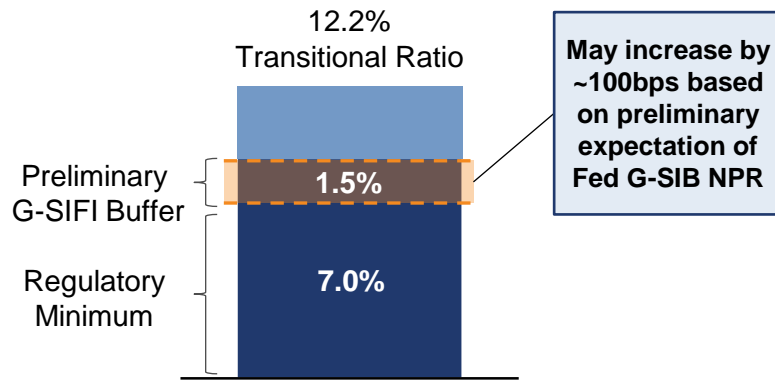
# Capital Ratio Update

2014 in Review

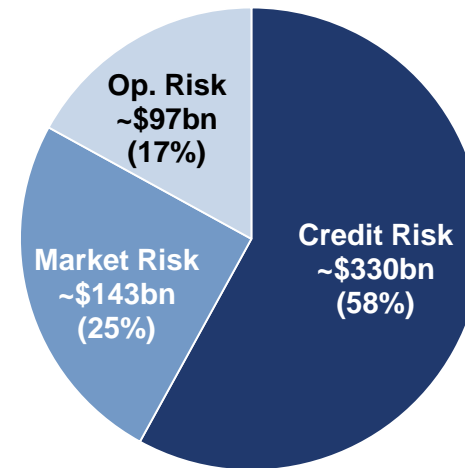
Funding, Liquidity, and Capital Update

Differentiating our Credit Profile

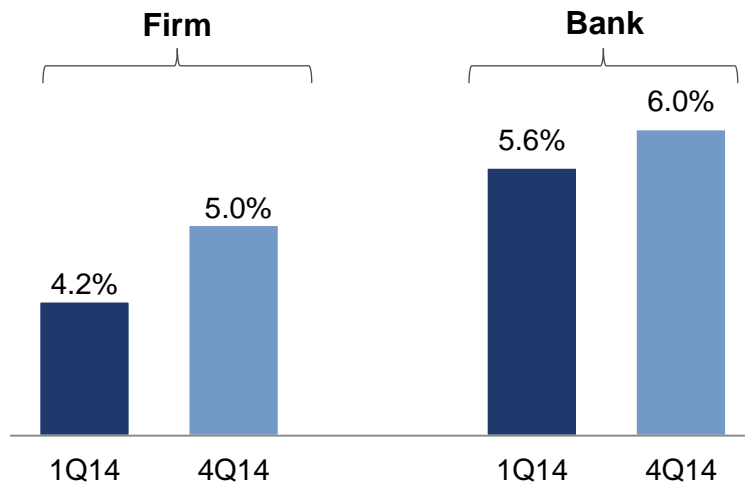
## 4Q14 Basel III Common Equity Tier 1 Ratio Advanced Approach<sup>1, 2</sup>



## 4Q14 Basel III Advanced Approach RWAs: ~\$570bn<sup>1</sup>



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



- Our Basel III Common Equity Tier 1 ratio as of 4Q14 under the advanced approach was 12.2% on a transitional basis and 11.1% on a fully phased-in basis
- Under the standardized approach, our Basel III Common Equity Tier 1 ratio as of 4Q14 was 11.3% on a transitional basis and 10.2% on a fully phased-in basis
- As of 4Q14 our SLR at the HoldCo of 5.0% and the Bank of 6.0% are compliant with the 2018 minimums

<sup>1</sup> Basel III Transitional Ratio and Basel III RWAs are calculated under the Advanced approach on a transitional basis based on the Federal Reserve Board's final Basel III rules

<sup>2</sup> Federal Reserve Board's G-SIB NPR impact of 100bps based on preliminary expectation and may change based on the final rule

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

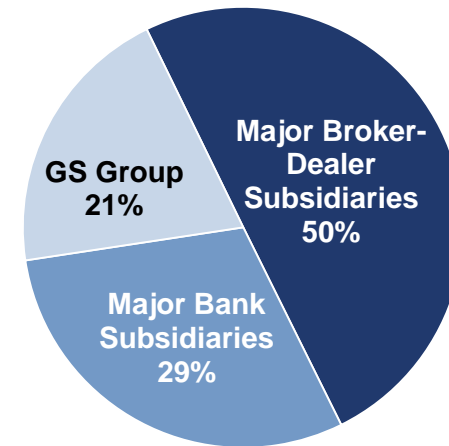
## We maintain material liquidity reserves

- Our liquidity resources are substantial, reflecting more than 20% of our balance sheet in 4Q14
- 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 GCE 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

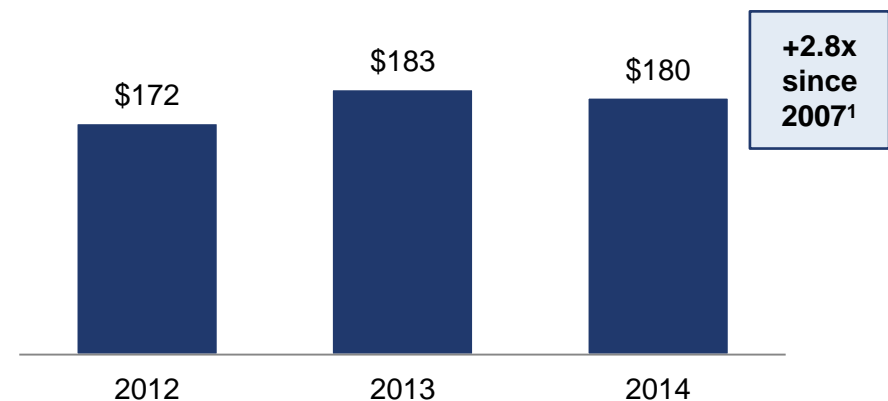
## We continually enhance the models that drive the size of our GCE

- Our MLO reflects potential contractual and contingent outflows of cash or collateral
- Our Intraday Liquidity Model provides an assessment of potential intraday liquidity needs
- We continue to make improvements to our models and can more granularly assess idiosyncratic risks in our businesses

## 2014 Average Global Core Excess (GCE) by Entity



## Average GCE Trend (\$bn)



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

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

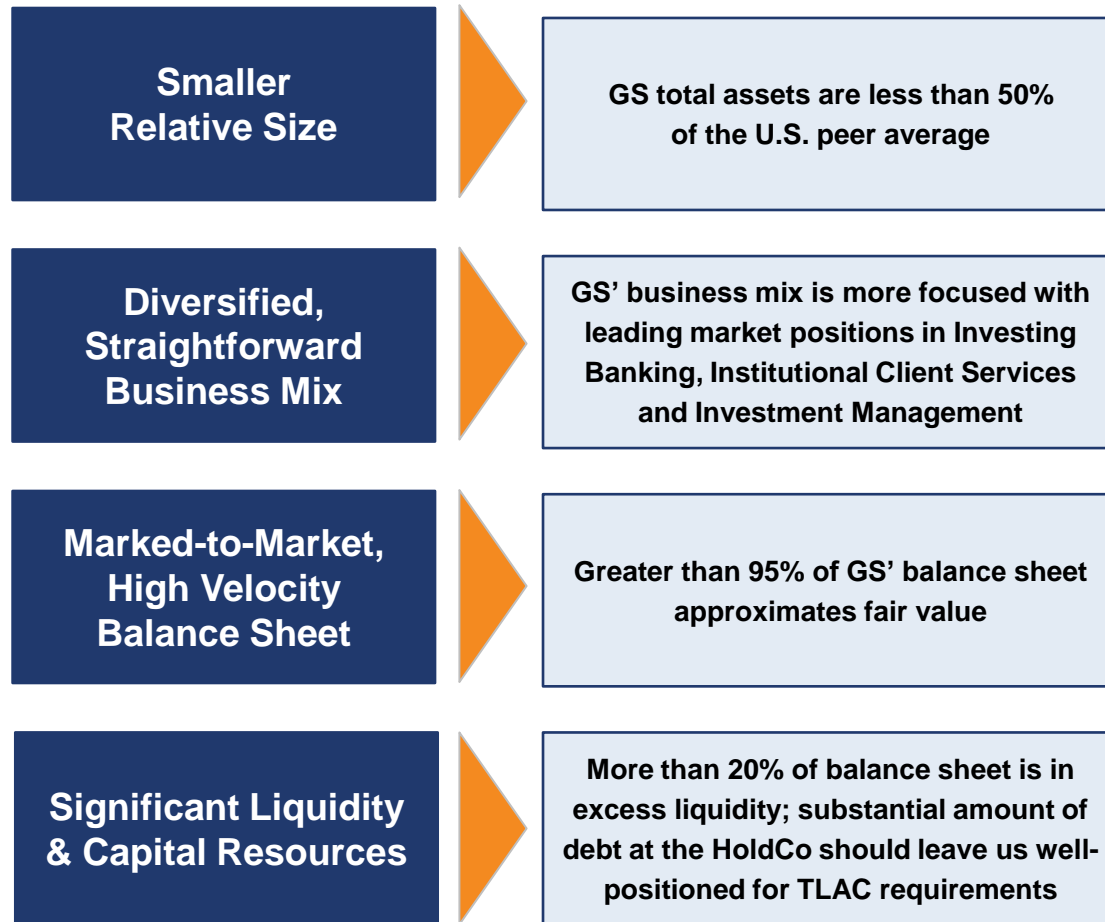
### III. Differentiating our Credit Profile

# Differentiating our Credit Profile

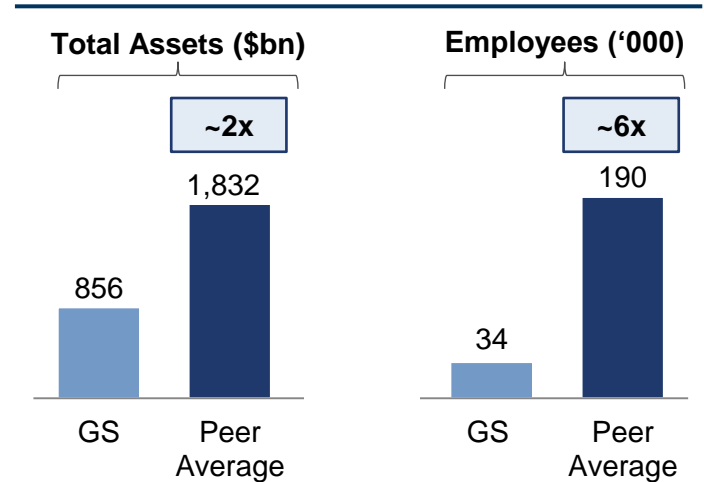
2014 in Review

Funding, Liquidity, and Capital Update

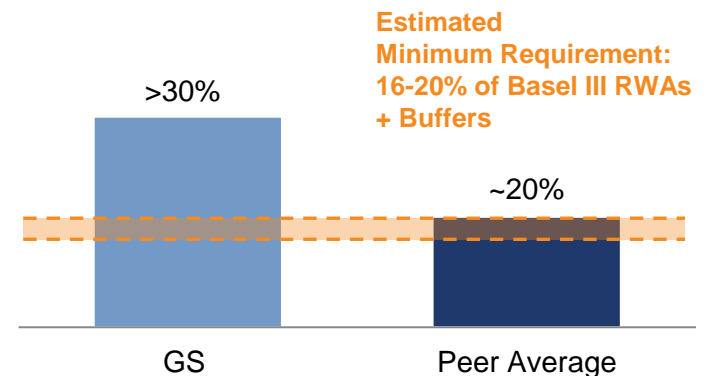
Differentiating our Credit Profile



## 4Q14: GS Size vs. Peers<sup>1</sup>



## Estimated TLAC Resources as of 4Q14<sup>2</sup>



**More focused business model and smaller, marked-to-market balance sheet with significant capital and liquidity leave the firm positively differentiated from the industry**

<sup>1</sup> Peer average comprised of BAC, C, JPM and MS

<sup>2</sup> TLAC represents total loss absorbing capacity; GS estimate excludes structured notes and includes our plain vanilla bullet and callable long-term debt issued by our Holding Company; peer average comprised of BAC, C and JPM; excludes MS as no public TLAC estimate disclosed

# Differentiating our Credit Profile

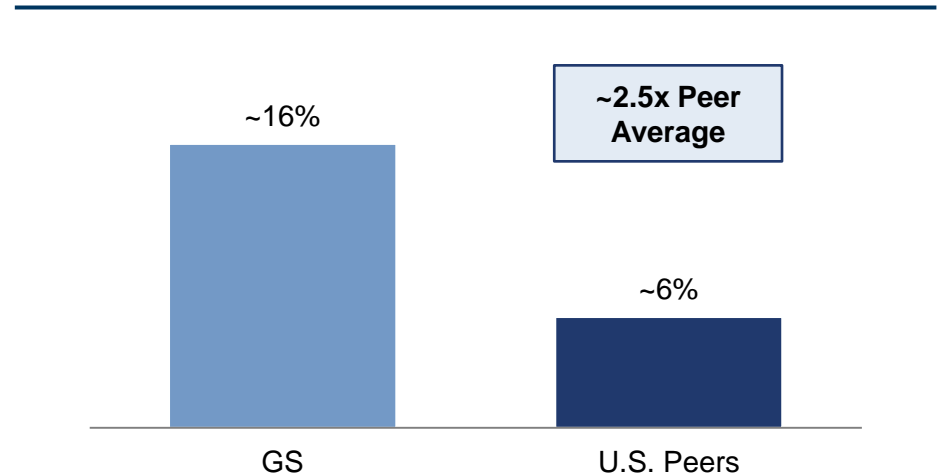
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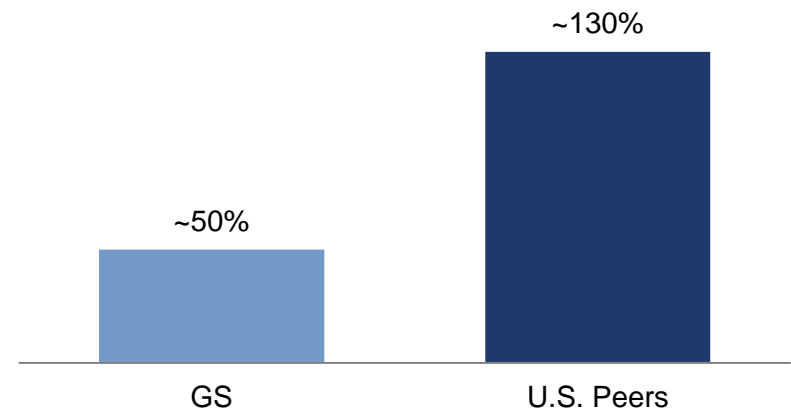
Differentiating our Credit Profile

Smaller Relative Size	✓
Diversified, Straightforward Business Mix	✓
Marked-to-Market, High Velocity Balance Sheet	✓
Significant Liquidity & Capital Resources	✓
Superior Returns & Greater Stability	✓

ROE (2005-2014)<sup>1</sup>



GS and U.S. Peer Earnings Volatility (2005–2014)<sup>2</sup>



<sup>1</sup> U.S. peers comprised of BAC, C, JPM and MS; percentages represent average yearly ROEs over the period and include December 2008 for GS and MS

<sup>2</sup> U.S. peers comprised of BAC, C, JPM and MS; earnings volatility measured by the standard deviation of reported annual net income to common relative to average annual net income to common; calculation includes December 2008 for GS and MS



# 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 December 2014, 2013 and 2012.

<i>\$ in millions</i>	As of December 2014					
	Excess Liquidity and Cash	Secured Client Financing	Institutional Client Services	Investing & 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	30,158	-	92,746
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>

# Appendix

## Non-GAAP Measures, continued

<i>\$ in millions</i>	As of December 2013					
	Excess Liquidity and Cash	Secured Client Financing	Institutional Client Services	Investing & 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	15,820	-	88,935
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>

<i>\$ in millions</i>	As of December 2012					
	Excess Liquidity and Cash	Secured Client Financing	Institutional Client Services	Investing & Lending	Other Assets	Total Assets
Cash and cash equivalents	\$ 72,669	\$ -	\$ -	\$ -	\$ -	\$ 72,669
Cash and securities segregated for regulatory and other purposes	-	49,671	-	-	-	49,671
Securities purchased under agreements to resell and federal funds sold	28,018	84,064	28,960	292	-	141,334
Securities borrowed	41,699	47,877	47,317	-	-	136,893
Receivables from brokers, dealers and clearing organizations	-	4,400	14,044	36	-	18,480
Receivables from customers and counterparties	-	43,430	22,229	7,215	-	72,874
Financial instruments owned, at fair value	39,075	-	318,323	49,613	-	407,011
Other assets	-	-	-	-	39,623	39,623
<b>Total assets</b>	<b>\$ 181,461</b>	<b>\$ 229,442</b>	<b>\$ 430,873</b>	<b>\$ 57,156</b>	<b>\$ 39,623</b>	<b>\$ 938,555</b>

# Appendix

## Non-GAAP Measures, continued

- Gross leverage excluding cash and cash equivalents, cash and securities segregated for regulatory and other purposes and collateralized agreements equals total assets excluding cash and cash equivalents, cash and securities segregated for regulatory and other purposes and collateralized agreements divided by total shareholders' equity. Gross leverage and total assets both excluding cash and cash equivalents, cash and securities segregated for regulatory and other purposes and collateralized agreements 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 assets to total assets excluding cash and cash equivalents, cash and securities segregated for regulatory and other purposes and collateralized agreements and gross leverage excluding cash and cash equivalents, cash and securities segregated for regulatory and other purposes and collateralized agreements.

<i>\$ in millions</i>	<b>As of December</b>	
	<b>2014</b>	<b>2012</b>
Total assets	\$ 856,240	\$ 938,555
Less:		
Cash and cash equivalents	(57,600)	(72,669)
Cash and securities segregated for regulatory and other purposes	(51,716)	(49,671)
Collateralized agreements	(288,660)	(278,227)
<b>Total</b>	<b>\$ 458,264</b>	<b>\$ 537,988</b>
Total shareholders' equity	\$ 82,797	\$ 75,716
Gross leverage excluding cash and cash equivalents, cash and securities segregated for regulatory and other purposes and collateralized agreements	5.5 x	7.1 x

# Fixed Income Investor Presentation

January 29, 2015

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