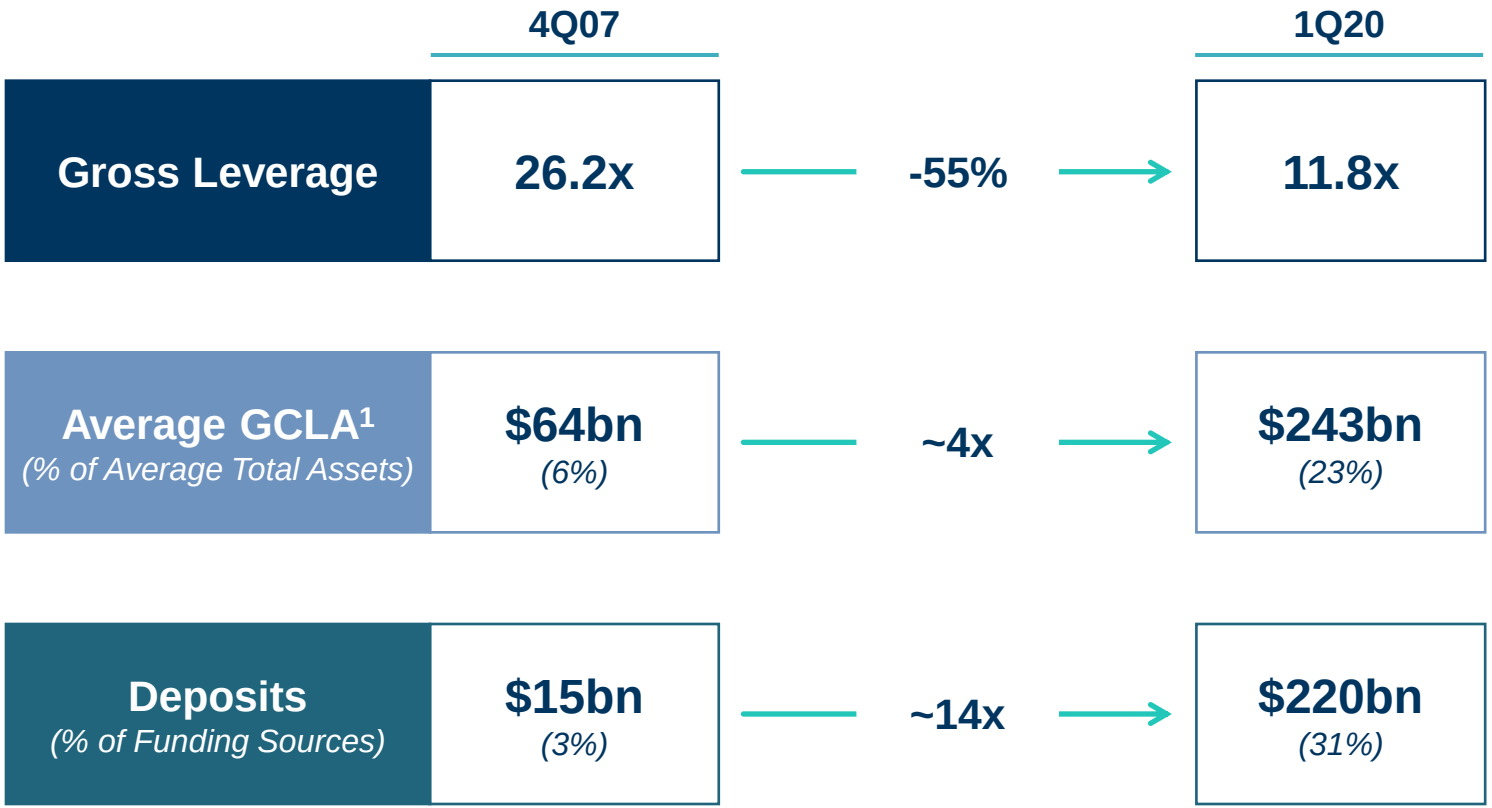
Goldman Sachs

Fixed Income Investor Presentation

Stephen Scherr, Chief Financial Officer
Beth Hammack, Global Treasurer

May 13, 2020

Strong Financial Position



Clear Strategic Direction

Grow and Strengthen Existing Businesses

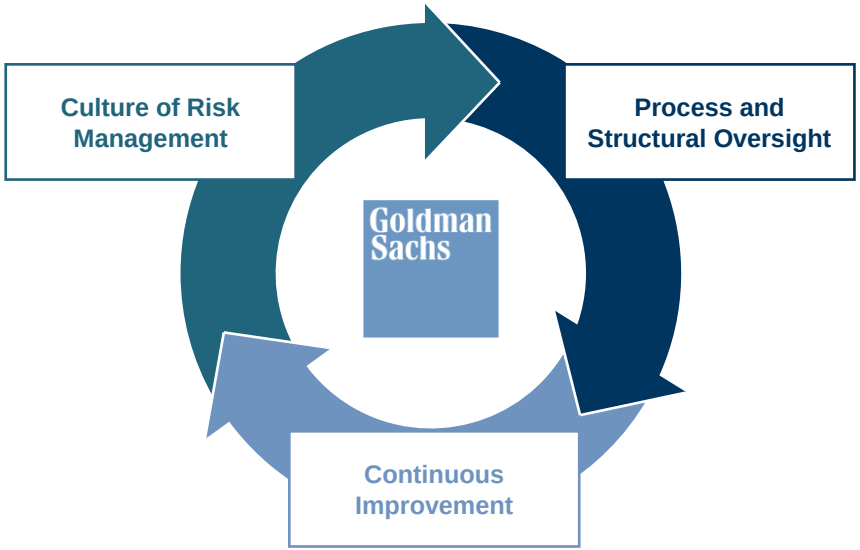
Diversify Our Products and Services

Operate More Efficiently

Driving Credit Positives

- **More stable, durable revenues and earnings**
- **Increased diversification**
- **Enhanced franchise strength**
- **Improved capital efficiency and enhanced funding profile**

Strong Risk Management Oversight



Culture of Risk Management

- Disciplined risk-reward approach
- Deep bench of risk managers
- Consensus-driven decision making

Process and Structural Oversight

- Independent controls and governance
- Comprehensive stress testing
- Mark-to-market discipline

Continuous Improvement

- Cycle preparedness
- Reputational risk and compliance
- Cyber risk

Key Risks in Current Environment

Key Areas in Focus	Mitigation
Credit	Robust credit underwriting framework Appropriate reserve processes
Asset Price	Vigorous ongoing portfolio management Prudent approach to portfolio marking
Interest Rate	Active monitoring and managing of risks Conservative and holistic approach to asset-liability management

Credit Risk: Overview of Loan Portfolio

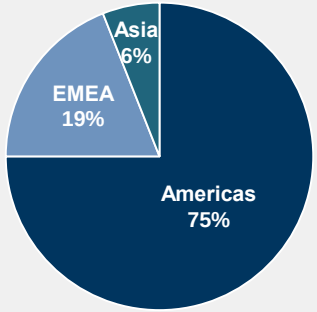
Portfolio Overview

Loan Type	Size ($bn)	% of Total	% Secured
Corporate	$69	53%	69%
Wealth Management	$29	23%	99%
Real Estate	$21	17%	100%
Commercial	$17	13%	100%
Residential	$4	4%	100%
Consumer	$7	5%	–
Installment	$5	4%	–
Credit Cards	$2	1%	–
Other	$6	4%	88%
Allowance for loan losses	($2.9)	(2%)	–
Total Loans	**$128**	**100%**	**78%**
Lending Commitments	**$152**		
Allowance for Credit Losses	$3.2		

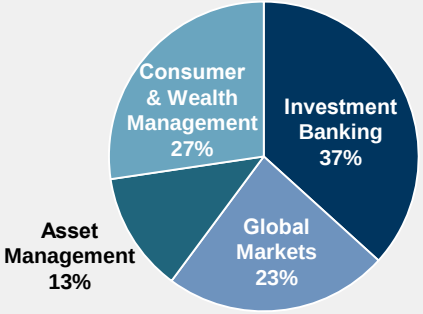
78% of Total Loans Secured

Loans Breakdown[1]

By Geography



By Segment



Key Credit Metrics[2]

2.5%
ALLL to Total Gross Loans

1.8%
ALLL to Gross Wholesale Loans

13.4%
ALLL to Gross Consumer Loans

0.5%
Net Annualized Charge-off Rate

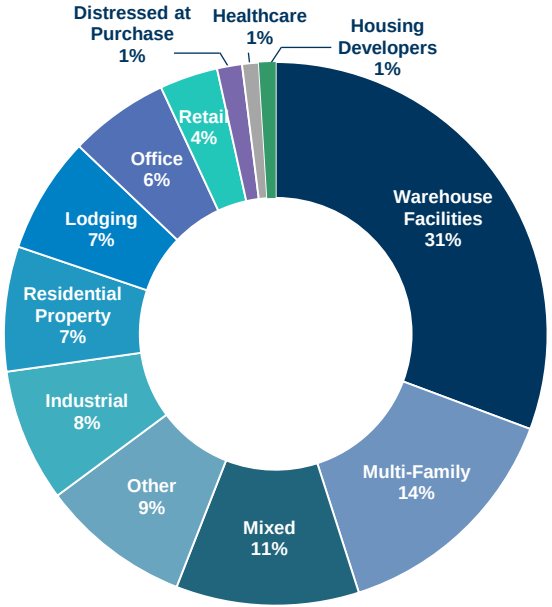
Credit Risk: Corporate Lending

	Funded			Commitments[1]	
Sector	**Exposure ($bn)**	**% of Total**	**% Secured**	**Exposure ($bn)**	**% of Total**
Consumer, Retail and Healthcare	$12	17%	71%	$28	25%
Diversified Industrials	$15	22%	66%	$21	18%
Financial Institutions	$6	9%	75%	$7	6%
Funds	$4	6%	91%	$3	3%
Natural Resources & Utilities	$8	11%	66%	$22	19%
Real Estate	$6	8%	46%	$4	4%
Technology, Media & Telecommunications	$12	18%	73%	$24	21%
Other (including SPVs)	$6	9%	74%	$4	4%
Total	**$69**	**100%**	**69%**	**$113**[2]	**100%**
Selected Industries Included Above					
Oil and Gas	$4	6%	61%	$8	7%
Gaming & Lodging (incl. hotel owners & operators)	$1	1%	69%	$2	2%
Airlines	$2	3%	84%	$1	1%

~$19bn of corporate drawdowns in 1Q20, **split ~50/50 between IG/Non-IG**

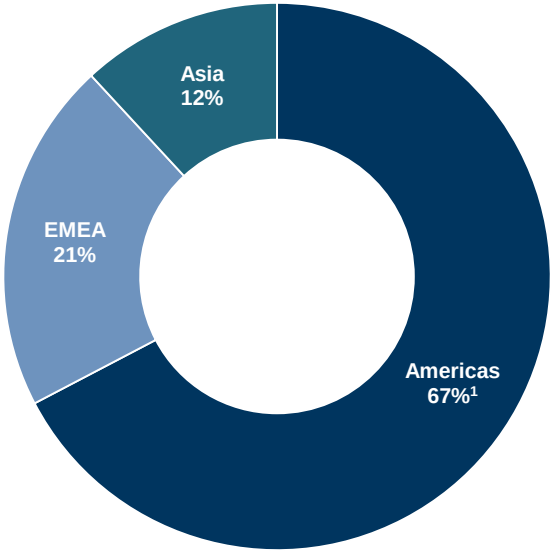
Credit Risk: CRE Loan Exposure

CRE Exposure



$20bn of CRE exposure, of which $17bn is funded

CRE Exposure by Region

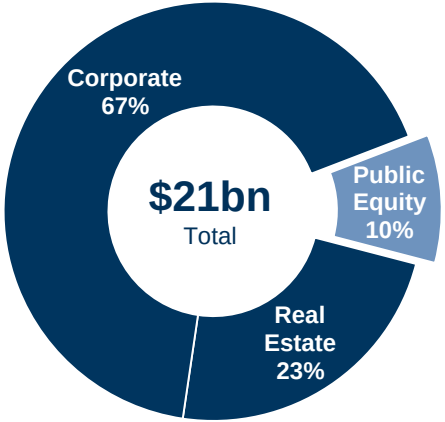


Largely concentrated in the Americas

Asset Price: Asset Management Equity Balance Sheet

Equity Portfolio

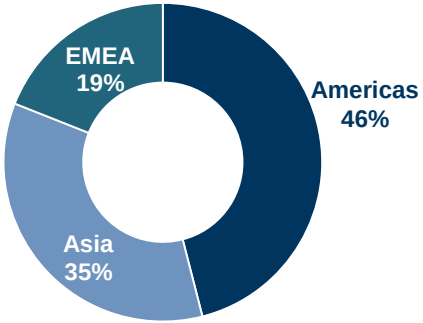
Private Equity
$19bn



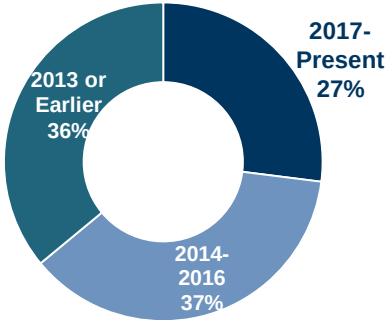
Public Equity
$2bn

Portfolio Breakdown

By Geography



By Vintage



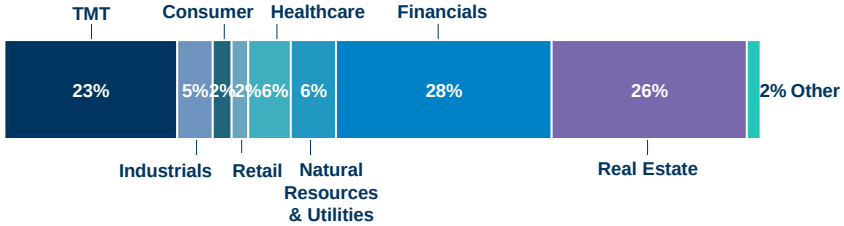
CIE Portfolio

$19bn
Total CIEs[1]

→

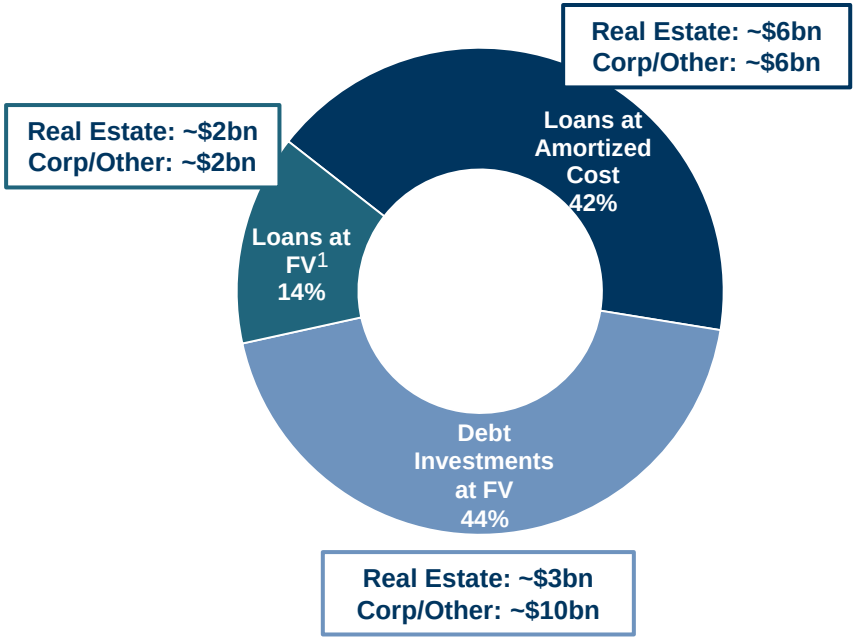
$11bn
of Liability Funding,
Substantially All Nonrecourse

Private Equity by Sector



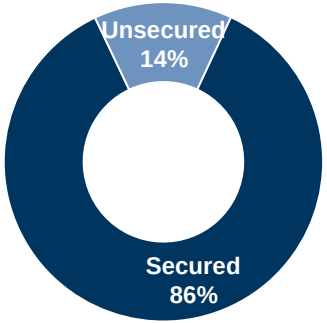
Asset Price: Asset Management Debt Balance Sheet

Debt Portfolio: $29bn

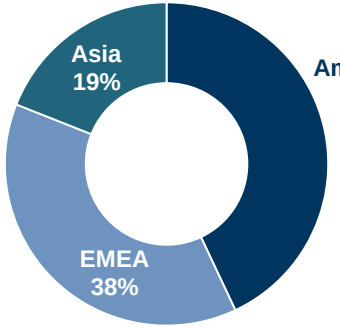


Loan Breakdown

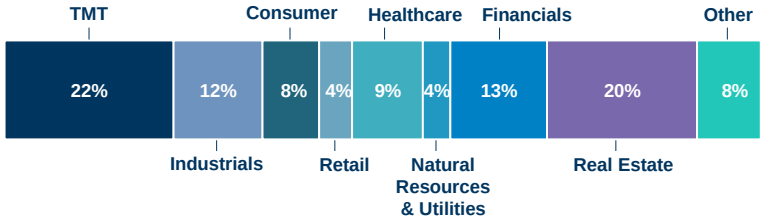
Secured vs. Unsecured



By Geography



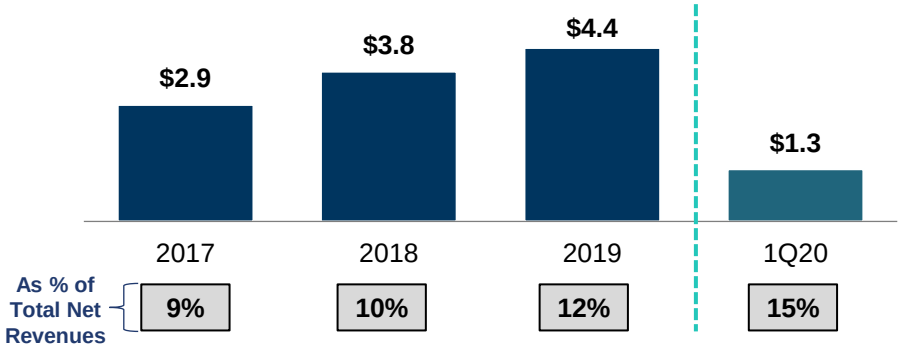
Debt Securities by Sector



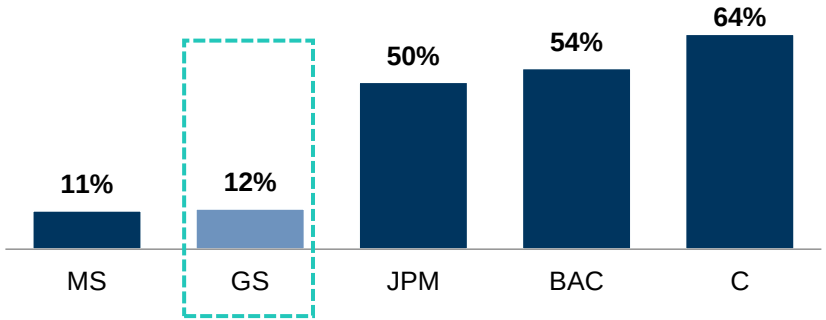
- Debt portfolio diversified across sectors and geographies

Interest Rate Risk

Net Interest Income



NII Contribution vs. Peers (FY19)



Rate Sensitivity

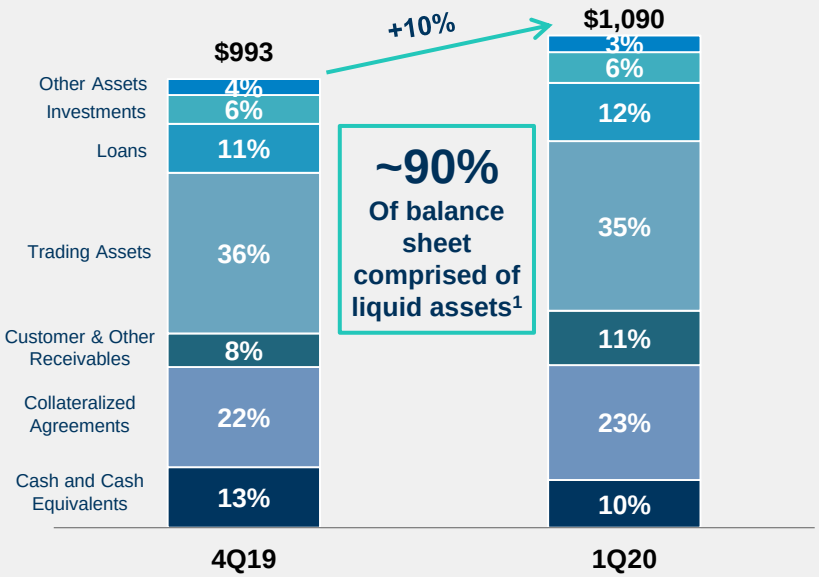
- **Interest Rate Risk Management**
  We centrally monitor and manage interest rate risk across the organization

- **Interest Rate Sensitivity**
  Our balance sheet is modestly asset sensitive – largely comprised of high turnover, floating rate assets that are primarily funded by liabilities that have been hedged to floating rate

- Should interest rates remain at current levels over the next year, **we expect NII to gradually expand over time** as our retail deposits reprice

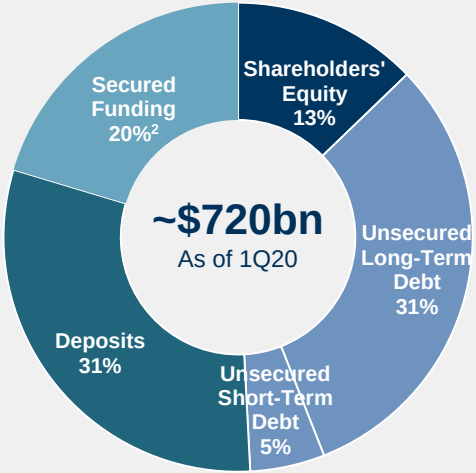
Balance Sheet

Balance Sheet Mix ($bn)



$97bn of balance sheet growth, primarily driven by increased client demand and activity

Sources of Funding



- Highly diverse funding sources
- Increased contribution from deposit funding
- **Term:** Secured funding WAM of >120 days, Time Deposits WAM of ~1.5yrs, and LTD WAM of ~8yrs

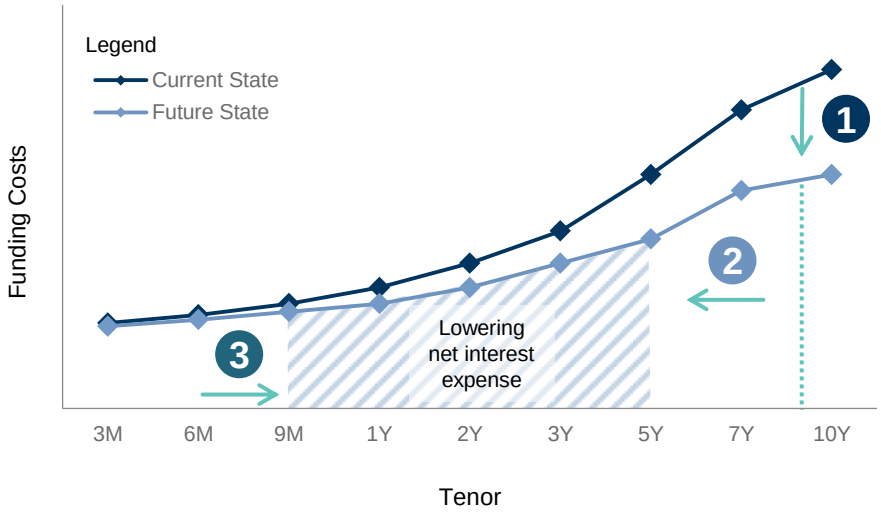
Funding Strategy

Increasing high-quality deposits to improve funding diversification and drive lower interest expense

Key Tenets of our Strategy

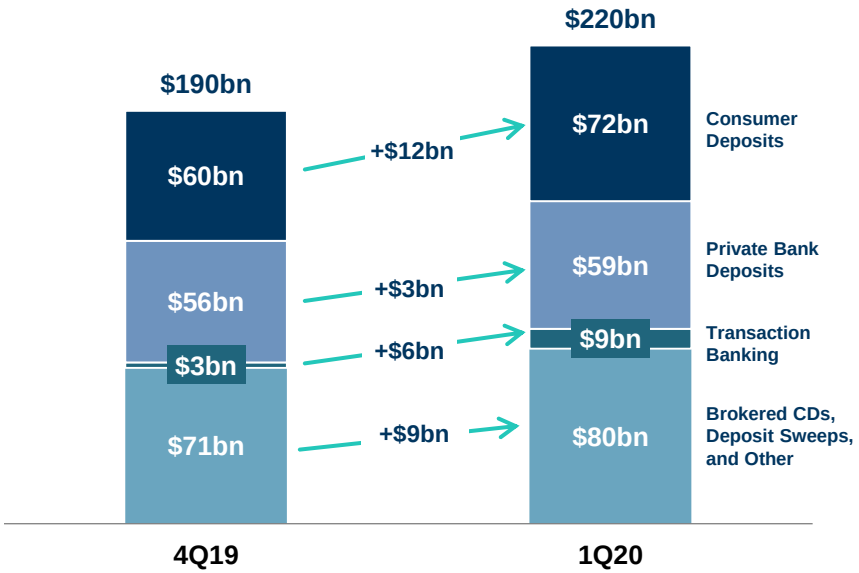
1. Further diversify funding mix via deposits
2. Enhance Asset-Liability Management
3. Optimize liquidity pool

Target State

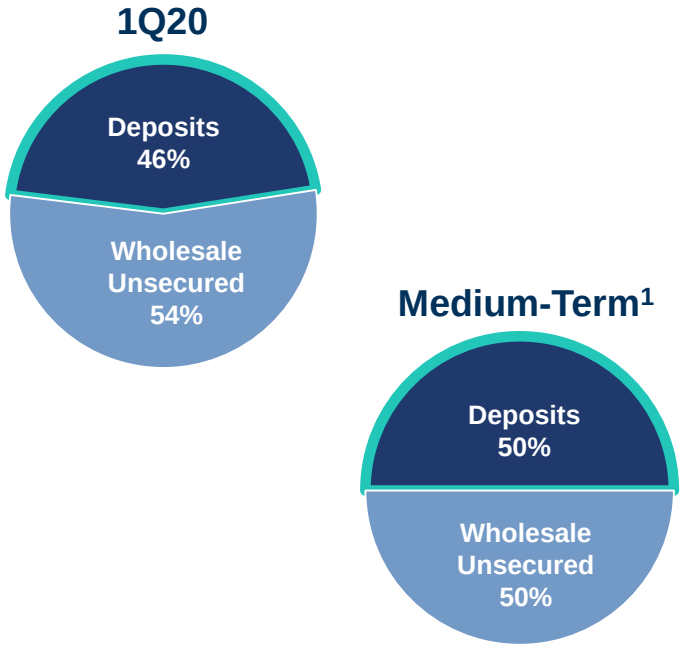


Deposit Growth

Strong Deposit Inflows



Ongoing Unsecured Funding Mix Shift



~$30bn of deposit inflows benefitting from strength in Transaction Banking and Consumer

We continue to target at least 50% deposits in the medium-term

GS Group Unsecured Vanilla Funding

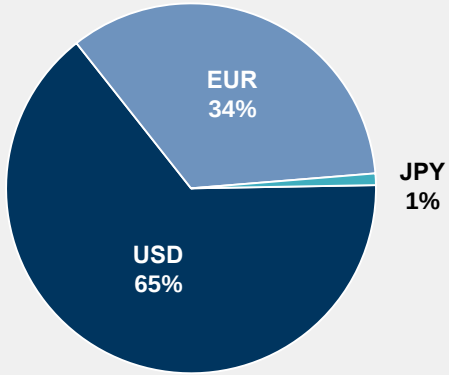
Diversified across Tenor, Currency, Channel and Structure

In 1Q20, we raised $16.1bn of GS Group vanilla debt[1] and preferred stock

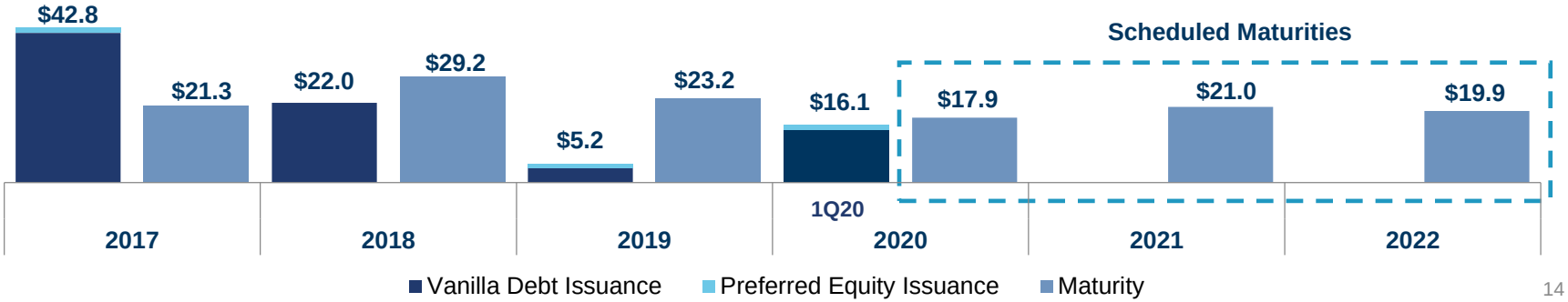
- Opportunistic issuance throughout the quarter, even during heightened market volatility
- Diversified across tenors, markets and currencies
- ~6 year WAM of debt issuance
- $0.4bn of perpetual preferred stock

~8 year WAM for the entire unsecured LT debt portfolio

1Q20 GS Group Vanilla Issuance by Currency



GS Group Vanilla[2] and Preferred Stock Issuance vs. Maturities[3] ($bn)



Structured Notes and Other Unsecured Funding

As part of our broader unsecured funding strategy, we strive for a diversified funding mix across various products, channels, issuing entities, currencies, tenors and investor types

Our sizeable structured notes footprint allows the firm to diversify across institutional and retail investors at attractive rates

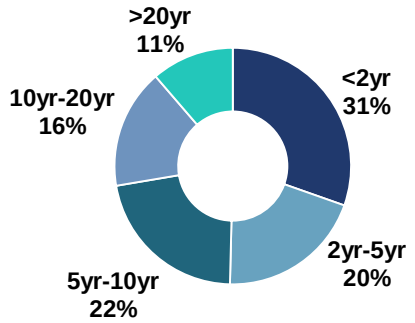
- Notes are issued out of various entities, mostly outside of GS Group
- During 2019, we raised $32bn, with 36% in non-USD currencies
- In 1Q20, we raised $19bn, with similar proportions of non-USD

Another notable funding channel is GS Bank 3a2 notes

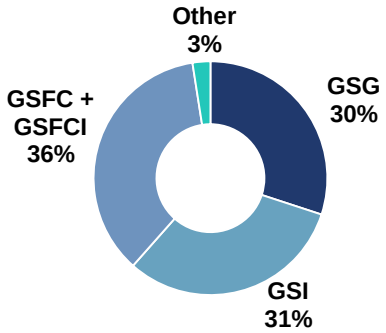
- Deposits will remain the primary source of funding for the bank

Structured Notes Outstanding as of 1Q20

Tenor[1]

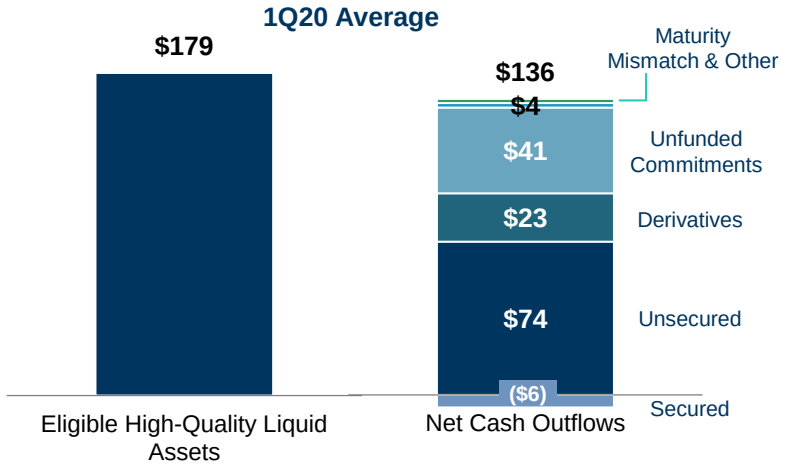


Entity[2]



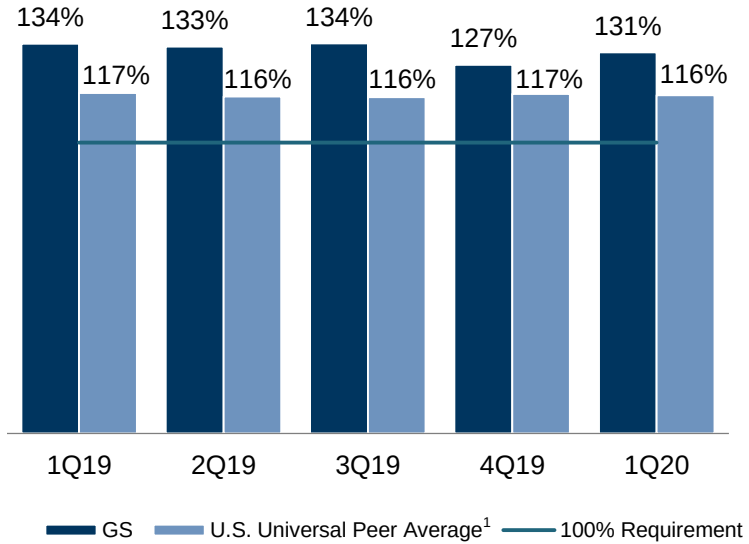
Liquidity Risk Management

Liquidity Ratio Components ($bn)



- Well in excess of LCR requirements
- Eligible HQLA composed almost entirely of Level 1 assets
- 1Q20 corporate draws of ~$19bn within our expectations for a stress scenario

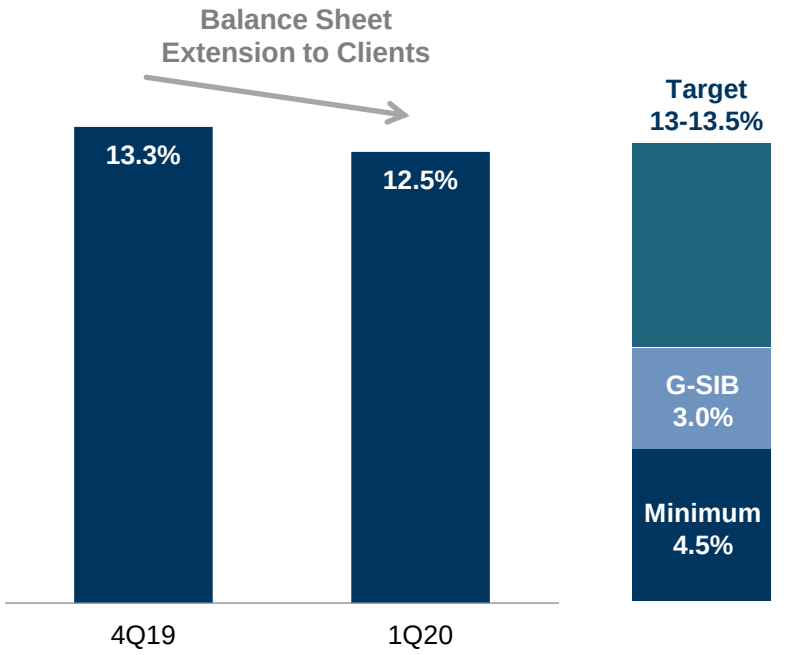
Average Liquidity Coverage Ratio Trend



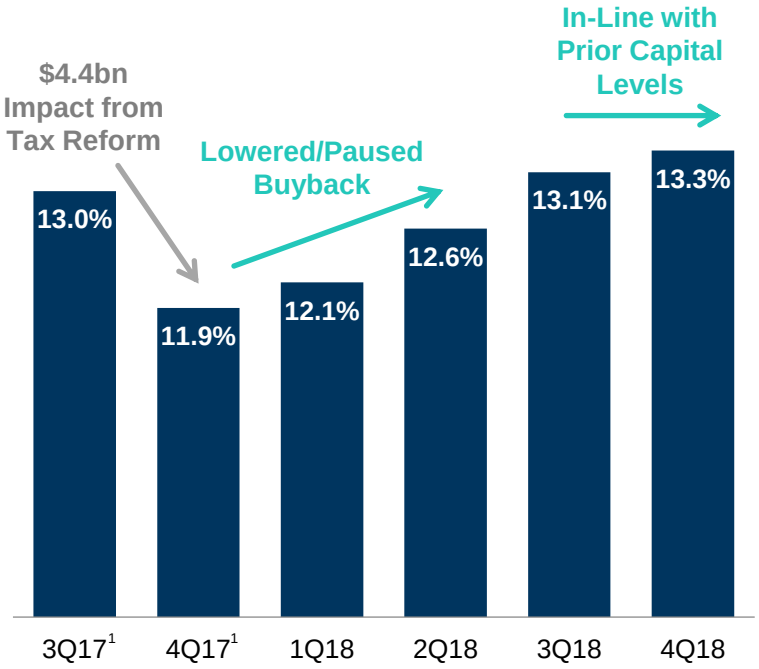
We remain well positioned from a liquidity standpoint and comfortably above minimums

Prudently Managing Capital – Standardized CET1 Ratio

Resilient Capital Ratios



Track Record of Dynamic Capital Management



Our capital levels remain resilient, supported by our track record of dynamic capital management, and we will comply with SCB regulations when applicable

LIBOR Transition

We are committed to ensuring a seamless transition for our clients, the marketplace and our firm

Leadership Accountability

- Chief LIBOR transition officer driving work across GS to be responsive to client needs and meeting industry recommended timelines

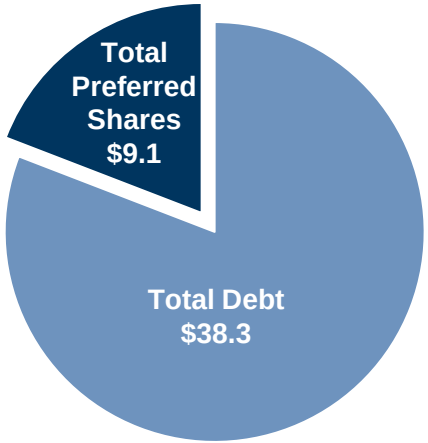
Meeting Investor Needs

- Diversifying our funding sources in alternative risk-free rates that will be suitable in a post LIBOR world

Manageable LIBOR Exposure

- Majority of our LIBOR exposures are in derivatives, where we expect a reasonably orderly transition given the industrywide ISDA protocol
- In light of the current pandemic, we remain committed and continue to prepare to meet the year-end 2021 transition target

Outstanding Vanilla Debt and Preferred Shares Referencing USD LIBOR as of 1Q20 ($bn)



~$4bn of debt will mature before 2022

Key Takeaways

Well positioned to withstand market environment with strong balance sheet, robust capital, and ample liquidity

Prudently managing financial resources to preserve capital and maintain liquidity position

Commitment to serving client needs and executing on our long-term strategy

Continued focus on risk management consistent with historical track record and experience

Goldman Sachs

Fixed Income Investor Presentation

Stephen Scherr, Chief Financial Officer
Beth Hammack, Global Treasurer

May 13, 2020

End Notes

Note: All data as of 1Q20, unless otherwise indicated

These notes refer to the financial metrics and/or defined term presented on:

Slide 1:

1. Prior to 4Q09, GCLA reflects loan value and subsequent periods reflect fair value; 4Q07 average GCLA presented on a full-year basis

Slide 5:

1. Based on total gross loans
2. Based on loans at amortized cost

Slide 6:

1. Excludes $8bn of lending commitments relating to risk participations, for which the firm has transferred/sold credit exposures to third parties
2. Includes $107bn of loan commitments at amortized cost and $6bn of HFS loan commitments

Slide 7:

1. Primarily all concentrated in North America

Slide 8:

1. Includes consolidated investment entities reported in “Other assets” in the consolidated balance sheet, substantially all of which related to entities engaged in real estate investment activities. These assets are generally accounted for at historical cost less depreciation. Such amounts are in addition to the equity portfolio within Asset Management

Slide 9:

1. Includes ~$200mm of corporate/other loans accounted for under HFS

Slide 11:

1. Excludes Level 3, other assets, investments in funds at NAV, certain loans accounted for at amortized cost and held for sale loans that would have been classified as Level 3 if carried at fair value
2. Comprised of collateralized financings in the consolidated balance sheet

Slide 13:

1. Medium-term refers to 3 year time horizon

End Notes

Slide 14:

1. GS Group unsecured vanilla debt issuance is debt issued by The Goldman Sachs Group, Inc. accounted for at amortized cost (including debt that has been designated in a fair value hedge), with no embedded derivatives that require bifurcation. It excludes debt accounted for at fair value, either in whole under the fair value option, or in part through bifurcation of one or more embedded derivatives
2. GS Group issuance as of March 31, 2020
3. GS Group upcoming maturity values for 2020, 2021 and 2022 are as of March 31, 2020. GS Group historical maturities include large liability management transactions, consistent with prior years. 2020 maturities include the $350mm redemption of all remaining outstanding preferred stock Series L

Slide 15:

1. Reflects remaining time to contractual maturity; call options and other similar features may shorten term
2. GSG, GSI, GSFC, and GSFCI represent The Goldman Sachs Group, Inc., Goldman Sachs International, GS Finance Corp., and Goldman Sachs Finance Corp International Ltd, respectively

Slide 16:

1. U.S. universal peers include JPM, BAC, C and WFC

Slide 17:

1. As of September 30, 2017 and December 31, 2017, the firm's capital ratios on a fully phased-in basis were non-GAAP measures and may not be comparable to similar non-GAAP measures used by other companies. Management believes that the firm's capital ratios on a fully phased-in basis are meaningful because they are the measures that the firm and investors use to assess capital adequacy. The table below presents reconciliations, for the Standardized approach, of common equity tier 1 and risk-weighted assets on a transitional basis to a fully phased-in basis as of September 30, 2017 and December 31, 2017 (unaudited, $ in billions)

	Standardized CET1 Ratio	
	As of September 30, 2017	As of December 31, 2017
Common equity tier 1, transitional basis	$ 71.9	$ 67.1
Transitional adjustments	(0.2)	(0.1)
Common equity tier 1, fully phased-in basis	**$ 71.7**	**$ 67.0**
Risk-weighted assets, transitional basis	$ 540	$ 556
Transitional adjustments	13	8
Risk-weighted assets, fully phased-in basis	**$ 553**	**$ 564**
Common equity tier 1 ratio, transitional basis	13.3%	12.1%
Common equity tier 1 ratio, fully phased-in basis	13.0%	11.9%

Cautionary Note on Forward-Looking Statements

Statements about the firm's target metrics, including its target ROE, ROTE, efficiency ratio and CET1 capital ratios, and how they can be achieved, and statements about future operating expense (including future litigation expense), the impact of the COVID-19 pandemic on its business, results, financial position and liquidity, the amount and composition of future Assets under Supervision, planned debt issuances, growth of deposits and associated interest expense savings, future geographic location of its employees, and the timing and profitability of its business initiatives, including its launch of new businesses or new activities, its ability to increase its market share in incumbent businesses and its ability to achieve more durable revenues and higher returns from these initiatives, are forward- looking statements, and it is possible that the firm's actual results may differ, possibly materially, from the targeted results indicated in these statements.

Forward looking statements, including those about the firm's target ROE, ROTE, efficiency ratio, and expense savings, and how they can be achieved, are based on the firm's current expectations regarding its business prospects and are subject to the risk that the firm may be unable to achieve its targets due to, among other things, changes in the firm's business mix, lower profitability of new business initiatives, increases in technology and other costs to launch and bring new business initiatives to scale, and increases in liquidity requirements. Statements about the firm's target ROE, ROTE and CET1 capital ratios, and how they can be achieved, are based on the firm's current expectations regarding the capital requirements applicable to the firm and are subject to the risk that the firm's actual capital requirements may be higher than currently anticipated because of, among other factors, changes in the regulatory capital requirements applicable to the firm resulting from changes in regulations or the interpretation or application of existing regulations or changes in the nature and composition of the firm's activities. Statements about the timing and benefits of business and expense savings initiatives, the level and composition of more durable revenues and increases in market share are based on the firm's current expectations regarding its ability to implement these initiatives and may change, possibly materially, from what is currently expected. Statements about the effects of the COVID-19 pandemic on the firm's business results, financial position and liquidity are subject to the risk that the actual impact may differ, possibly materially, from what is currently expected. Due to the inherent uncertainty in these forward-looking statements, investors should not place undue reliance on the firm's ability to achieve these results.

For a discussion of some of the risks and important factors that could affect the firm's future business, results and financial condition, see "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and in our Annual Report on Form 10-K for the year ended December 31, 2019. You should also read the cautionary notes on forward-looking statements in our Form 10-Q for the period ended March 31, 2020 and Earnings Results Presentation for the First Quarter 2020. For more information regarding non-GAAP financial measures such as ROTE, refer to the information on the calculation of non-GAAP financial measures that is posted on the Investor Relations portion of our website: www.goldmansachs.com.

The statements in the presentation are current only as of May 13, 2020 and the firm does not undertake to update forward-looking statements to reflect the impact of subsequent events or circumstances.