



Fellow Shareholders:

As this letter goes to print in mid-March 2020, the world is experiencing a global health crisis that is putting extraordinary pressure on all of society — from every family in the world to every large and small company, which represents the vast majority of the work force. This includes pressure on the nonprofit sector, which provides critical services to the most vulnerable. Government action generally has been swift and aggressive to help mitigate the effects of COVID-19. This fluid and historic situation is having a profound influence on the most basic of human needs — the desire to be near and among our friends, colleagues and families.

As a firm, we are taking actions to support our people, their families, and our clients. I am proud of how our people have reacted amidst these circumstances, demonstrating the resilience and resolve they put forth on a daily basis on behalf of our clients. Further, the work they do today is integral to bolstering and sustaining global financial markets, which are critical to the recovery ahead.

As I write this, it is too early to know the full effect COVID-19 will have on the global economy. As we pursue our growth plans we will be mindful of the impact this virus will have on broader economic growth. We hopefully will work our way past the crisis stage soon and will do our part as a global financial institution to help re-build the global economy from this devastating crisis, which has hurt so many.

As you would expect, we have enacted our business continuity plans that have been informed by past crises and robust investment. We are operating to protect our people while serving our clients. Helping clients navigate dynamic environments is core to what we do, and we will stand by and assist them always.

We have defined our path forward over the past year, and we have begun to execute our long-term strategy and evolution as a firm. We are working to strengthen the market-leading positions of our core franchises, and we are investing for growth in new businesses. We have embarked on a firmwide effort to enhance how our clients interact with us in an integrated way, and to be more open and accessible with our stakeholders.

All of this is underpinned by the exceptional talent of the people of Goldman Sachs at all levels of the organization, starting with my leadership team of John Waldron, our President and Chief Operating Officer, Stephen Scherr, our Chief Financial Officer, and our entire Management Committee.

2019 Financial Performance

In 2019, the global economy experienced broad-based growth, inflation was subdued and unemployment fell to multi-year lows in key regions, while the outlook for economic growth and geopolitical risk was closely monitored throughout the year. At Goldman Sachs, our businesses weathered pockets of market volatility and delivered strong performance into year end. Our enduring focus on our clients and our culture of excellence drove solid financial results. Net revenues were \$36.55 billion for the year and return on average common shareholders' equity was 10.0 percent. We remained the industry's leading mergers and acquisitions advisor, and held the #1 position in worldwide equity and equity-related offerings and common stock offerings for the year.

Our businesses generally produced strong net revenues, and the growth we achieved in new initiatives such as our consumer banking business was encouraging. Investment Banking generated net revenues of \$7.60 billion, its second highest annual net revenues. In Global Markets, our broad and diverse franchise across FICC and Equities delivered net revenues of \$14.78 billion, reflecting growing financing revenues. Asset Management produced solid results, with net revenues of \$8.97 billion, amid strong asset inflows; net revenues in Equity investments continue to be robust and rose versus 2018. Rapidly scaling Consumer & Wealth Management generated record net revenues of \$5.20 billion. Firmwide assets under supervision increased during the year to a record \$1.86 trillion.

Our Purpose and Core Values

We believe that shareholders and stakeholders alike expect companies to explain their purpose and core values. Goldman Sachs' mission is to advance sustainable economic growth and financial opportunity across the globe. Drawing upon over 150 years of experience working with the world's leading businesses, entrepreneurs, and institutions, we mobilize our people and resources to advance the success of our clients, broaden individual prosperity and accelerate economic

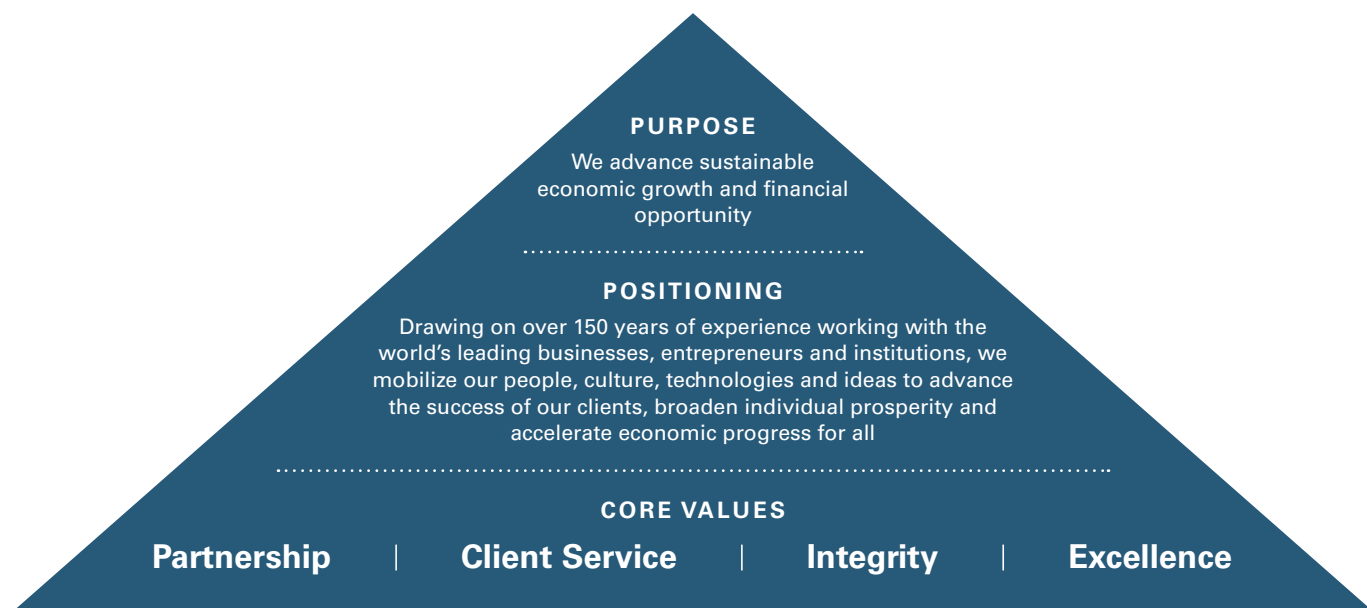
progress for all. If we successfully deliver on this purpose, we are confident that we will also succeed in delivering significant value to our shareholders.

We are taking our foundational strengths and applying them as we invest in our future. This means affirming our values while fostering change and innovation. As part of that effort, we distilled our business principles into four core values that inform everything we do. First is the partnership ethos which is central to Goldman Sachs' culture. I'm referring not just to our firm's leadership group, the partners of Goldman Sachs, but also to the philosophy behind our client relationships and the way we interact with our stakeholders. Partnership fosters a sense of ownership and stewardship that is truly unique and differentiated. It encourages collaboration, inclusivity, and teamwork, and it inspires our people to always put our clients at the center of everything we do.

Of course, putting our clients at the center requires exceptional client service, which is our second core value. Having personally spent decades building deep relationships with clients, I can attest to the results we can achieve through long-term dedication to client service. This goes beyond transactional excellence. The connectivity to our people — our ability to offer advice, knowledge, and feedback — is often the most significant driver of value.

As Chairman and Chief Executive Officer, I am intensely focused on integrity. We must have an unrelenting commitment to doing the right thing — always. Particularly in the wake of our experience in Malaysia, I am keenly aware of how the actions of a few can harm our firm. We will continue to assess ways to learn and improve from this experience, and we are committed to ensuring our culture of integrity remains a core value.

Finally, excellence. We are committed to delivering to the very best of our ability. This value permeates our organization from the bottom to the top. It informs the kind of people we attract, the advice we give, and the ways in which we strive to exceed our clients' expectations. Every day, I see examples of the people of Goldman Sachs going the extra mile, working to execute at the highest level possible.



Our Competitive Strengths

Today, Goldman Sachs possesses an enviable portfolio of market-leading businesses. Foundational to our success are a number of self-reinforcing competitive strengths within these businesses. First, we firmly believe our biggest competitive strength is the exceptional talent of our people. I frequently hear from clients that our people differentiate us from the competition, and I see it firsthand. Goldman Sachs has developed an ecosystem that attracts and develops top talent from across the globe, giving them platforms to thrive and grow.

We operate in an industry where people and the relationships they build are paramount. Our efforts to find the best people range from extensive campus recruiting all the way to hiring senior talent laterally, including at the partner level. We had 85,000 applicants for 2,600 campus positions for 2020, illustrating our ability to build a workplace where tomorrow's leaders want to be. We are especially focused on ensuring we have the best pipeline of rising talent, and the best programs to develop those leaders. It helps that our history, our people and our ideas have made Goldman Sachs an aspirational brand around the globe. Our brand has proven influential with institutions and in corporate boardrooms, and it resonates with new and different clients, such as consumers.

Closely linked with exceptional talent is the culture of innovation which our people foster. This firm is ready to capitalize on new opportunities; in fact, we are well underway on a number of efforts that I will describe below. We are deeply focused on encouraging innovation and new thinking across all of our businesses.

Additionally, our presence around the world today is truly global. We are able to serve clients everywhere that matters to them. As one sign of our focus on growing this worldwide footprint, our international net revenues have grown 22-fold since 1990, and represent approximately 40 percent of our overall firmwide net revenues. Hand-in-hand with a truly global presence is the remarkable depth of our client relationships. We are a trusted advisor known for the quality and duration of our relationships with corporations, governments, institutions, and individuals. This is because we appreciate that great relationships require investment and patience, in many cases over decades.

Lastly, I highlight our robust risk management culture, which is one of our most important strengths. We have strong processes, deep analytics, empowered risk and control functions, and a culture of honesty and communication.

The risks we face run the gamut: some are financial in nature, while others are operational, technological, or

reputational. We appreciate that risk will change as our mix of businesses evolves. Accordingly, we are adapting our processes to manage risks old and new. We also know that we can never stop questioning, critiquing and improving the processes that enable our people to deliver excellence to clients around the world.

Our New Operating Approach

Even as we stay true to our core values, change and adaption are inevitable, even healthy. Today’s economic environment of innovation and disruption requires it. Over the course of the past year we have begun engaging in a number of cultural and operational shifts to support and accelerate our next major growth initiatives. And we are making efforts to be more open and accessible, both internally and externally. One example is our new segment reporting, which more closely aligns to how we are now managing our businesses, improves transparency, and enables stakeholders to better hold us accountable to the execution priorities we have set forth. Another example is our first Investor Day, held in January 2020.

A centerpiece of our operational shifts aims at simplifying touchpoints for our clients. We launched One Goldman Sachs on my first day as CEO. This initiative has already succeeded in delivering our capabilities more holistically to approximately 30 major client relationships. Our

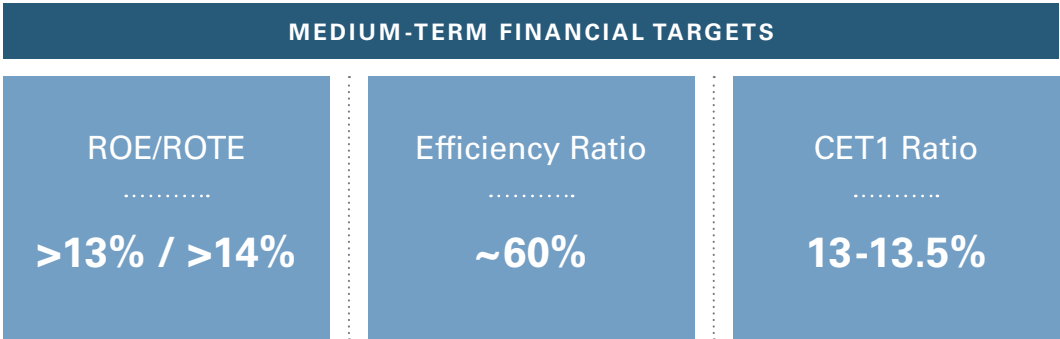
2020 plans include an expansion of One Goldman Sachs to cover approximately 100 clients, deepening these relationships and driving stronger returns.

We are also shifting our operating focus to promote more long-term thinking and investing. Goldman Sachs has long prided itself on being nimble in the face of opportunity. This quality remains valuable, but we have embarked on an effort to evolve our culture more in favor of incentivizing investments for the future through a multi-year planning process. These investments in the future require patience and, of course, hard work and fortitude.

Our Financial Goals

Our strategy is intended to build a firm capable of generating mid-teen or higher returns over the long term, meaning five or more years. For the medium term, we unveiled a series of three-year financial targets in January at our Investor Day (see exhibit below). We operate in a cyclical industry, so our targets must be viewed in the context of a normalized operating environment. We are confident we can achieve them in such an environment.

For our medium-term targets, much of the financial impact comes from our focus on expense and funding efficiencies, which we believe are largely in our control. Our ability to achieve mid-teen returns or higher over a horizon of five years or more will come as investments in



new businesses and technologies — such as Marcus, Apple Card and Transaction Banking — mature. Success will require diligence and a long-term mindset. But our early results have been more than encouraging.

Our Strategic Direction

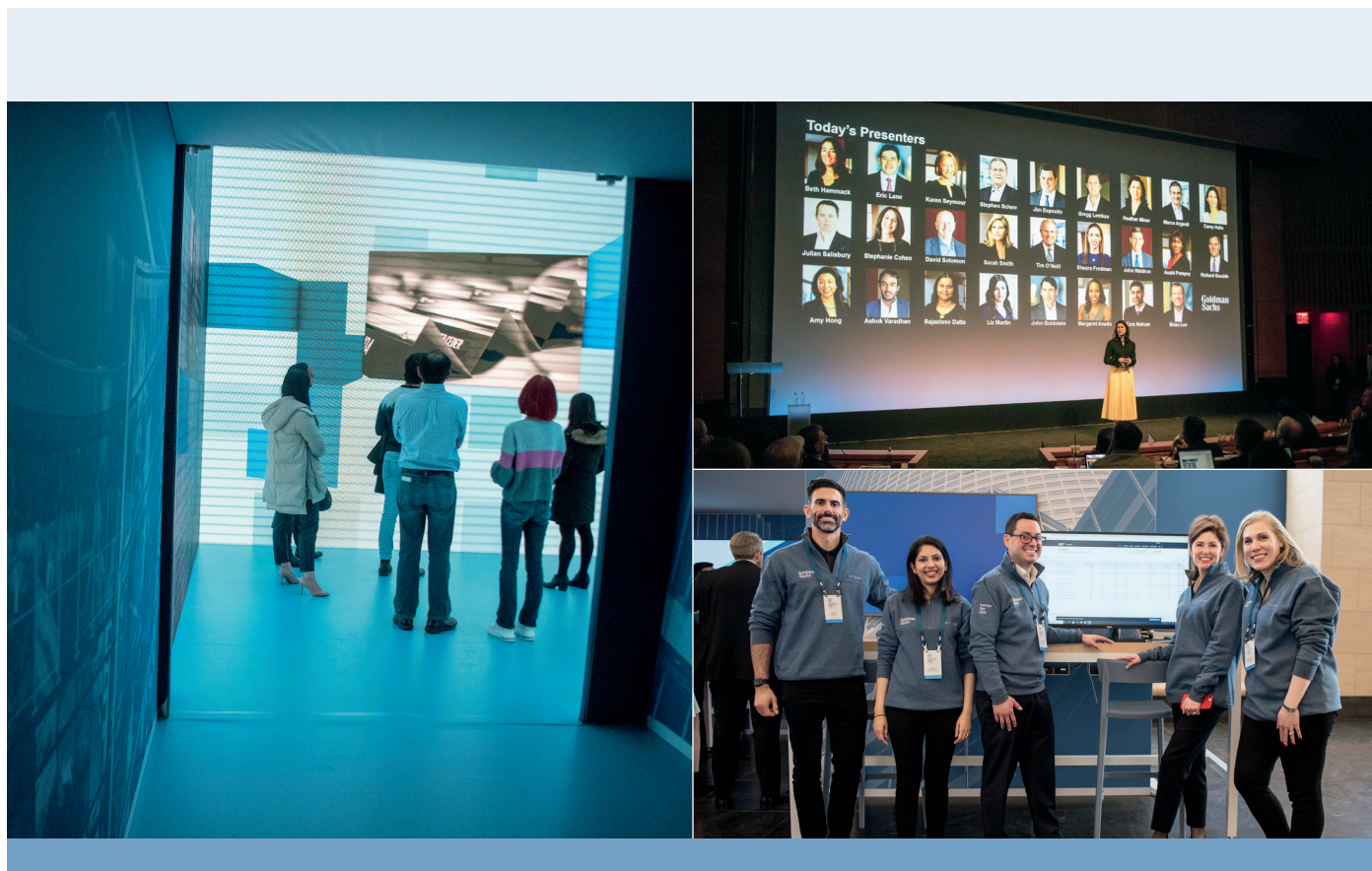
There are three pillars to achieving our medium-term financial targets, each of which will be examined in greater depth below:

- Growing and strengthening existing businesses, including expanding our footprint, to achieve higher wallet share
- Diversifying products and services and expanding our addressable market, for more durable earnings
- Operating more efficiently, leading to higher margins and returns

Grow and Strengthen Our Existing Businesses

Our review of existing Goldman Sachs businesses makes clear that we are building on an incredible foundation. Our market-leading positions include the #1 Investment Banking franchise¹, with room to expand the number of clients we serve and the offerings we provide; a leading Global Markets business that can be optimized for higher returns; a leading asset manager, with opportunities to scale our advisory-led business; and a premier ultra-high net worth wealth management business in the U.S. — one where we are accelerating growth in Europe and Asia.

Investment Banking As the #1 investment bank, we are the advisor of choice to our clients. But because we are not #1 in every industry and geography globally, we can improve our relative position by capitalizing on gaps



and opportunities. In particular, we are focused on expanding our footprint to cover more companies in the \$500 million-\$2 billion enterprise value range. This is a segment where, historically speaking, we only cover 44 percent of public companies in the Americas and EMEA — compared to 95 percent of firms over \$10 billion and 80 percent in the \$2-10 billion range.

Global Markets The marketplace is navigating a once-in-a-generation period of significant regulatory and technological change. We face this moment of disruption and opportunity with the #2 ranked institutional client franchise². We are one of the few scaled firms in both FICC and Equities, offering clients differentiated risk intermediation, data analytics, and a rapidly evolving set of technology platforms. Our plan is to drive higher returns by instilling further resource discipline and executing on several client initiatives to grow our franchise.

Asset Management Over the course of more than three decades, we have built a truly global, broad and deep asset management franchise. We have grown organic, fee-based active assets faster than competitors over the last five years, a testament to the success of our diversified advisory model. Our goals over the next five years include achieving \$250 billion of firmwide traditional assets under supervision net inflows.

Consumer & Wealth Management We envision substantial opportunities to broaden our wealth management offering in the years ahead. For one, our advice-led ultra-high net worth wealth management franchise is poised for significant growth in the EMEA and APAC regions, boosted in part by our target of increasing advisors globally by roughly 30 percent over the next three years.

Diversifying Our Products and Services, Expanding Our Addressable Market

In general, our new business initiatives are designed to target more durable revenues, greater capital efficiency, and an enhanced funding mix. In our framework for evaluating opportunities, we examine whether they address a client need, capitalize on one or more of our competitive advantages, and are adjacent to one of our market-leading businesses. Through this lens, we have identified four major opportunities.

Transaction Banking Corporates' cash management and payment needs often span the globe. Even a small share of the massive transaction banking market would be accretive. Our transaction banking offering is high-tech, low-touch, and client-focused — and as a user of transaction banking services ourselves, we believe it is unique and differentiated versus existing offerings in the market. Here, as we roll out offerings over the next several months, we see a 5-year-plus opportunity for \$50 billion in deposit balances and \$1 billion in net revenues.

Alternatives In the face of a tremendous secular growth opportunity, we have unified our investing platforms and leveraged our strong, experienced investment teams to mount a significant expansion in our alternatives business. At approximately \$320 billion in alternative assets as of December 31, 2019, we are already a top 5 player in this space. Partnering with major asset allocators and institutions, we see a 5-year opportunity to achieve \$100 billion in net alternative asset inflows.

High Net Worth Wealth Management We plan to complement our crown jewel ultra-high net worth wealth management franchise with a greatly expanded high net worth offering. Our holistic wealth solutions through Ayco and Goldman Sachs Personal Financial Management, the rebranding of the recently acquired United Capital, are the pillars of our expansion. We have less than a 1 percent share of this fragmented \$18 trillion



market of investable assets in the U.S., and a modest increase in market share could drive a meaningful increase in revenues for our high net worth wealth management franchise.

Digital Consumer Banking We are building the digital consumer bank of the future. Today we are already addressing the spending, borrowing, and savings needs of millions of customers, helping them take control of their financial lives through an integrated platform. Our envisioned 5-year opportunity includes \$125 billion in deposit balances, \$20 billion in loan and card balances, and millions of new customers.

Operating More Efficiently

The third pillar of our strategic direction is to achieve greater operational efficiency. Streamlining the organization for the best possible client experience is a key focus. We have identified ways to deploy our people and resources more effectively to deliver One Goldman Sachs, with specific initiatives aimed at increasing process efficiency. The expected result of these efforts is a targeted \$1.3 billion in run-rate operating expense savings in three years, which will create capacity for investment in our growth priorities. We are also improving our funding profile, for example by diversifying our funding mix through deposits, which we expect to result in \$1.0 billion in run-rate interest expense savings in three years. Additionally, consistent with our history of prudent capital management, we are looking to optimize our capital footprint, through efforts such as reducing our on-balance sheet equity investments in alternatives.

All in, these initiatives to improve the efficiency of our business should supplement our growth priorities to drive higher margins and firmwide returns.

Diversity and Inclusion as Strategic Imperatives

Advancing diversity and inclusion is a personal priority of mine, particularly when it comes to leadership roles

across our businesses. The reasons are simple: it makes sense for our business, and it is the right thing to do. Moreover, our clients expect it, and our people demand it. I know our shareholders feel similarly, and I am convinced we can do better.

While there is more for us to do as a firm, we are proud that in 2019 we made some important strides. We hired our most diverse incoming analyst class from campuses around the world — 49 percent women and 63 percent ethnically diverse. And we promoted our most diverse class of managing directors ever, with a record 29 percent women. We also announced a new practice globally to interview two diverse, qualified candidates for each open role at the level of vice president and higher, to advance diversity more rapidly among our mid- and senior-level ranks. Finally, we introduced what is now the industry's leading parental and family leave policy, to help ensure that employees can build a family *and* pursue their professional ambitions. I am holding my partners accountable to deliver progress in those areas of the firm where they have oversight.

At the same time that we are focusing on improving the state of our own firm's diversity and reinforcing an inclusive environment, we are also thinking critically about our role as a steward of the global capital markets, and how we can make meaningful progress on this issue through our client interactions.

I recently announced one way for us to do just that. Starting this summer, we will only underwrite initial public offerings for companies domiciled in Western Europe and the U.S. that have at least one diverse board member. And come 2021, the figure will rise to two.

We did this, first and foremost, because we believe this is the best possible advice we could provide our clients looking to go public. In addition, the benefits will be long-lasting, and accrue to all of us.

Sustainability

The private sector has traditionally seen sustainability as a peripheral issue, narrowly tailored to a company's environmental impact. That kind of thinking no longer

SUSTAINABLE FINANCE COMMITMENT

\$750B

in financing, investing and advisory activity to nine areas that focus on climate transition and inclusive economic growth by 2030

holds. Today, the concept of sustainability has broadened to include not only how a company manages its operations but also how it conducts its core business. Sustainability is increasingly top of mind for our clients and front and center for the next generation of talent. That is why for Goldman Sachs, executing a best-in-class sustainability strategy is central to our long-term success.

We see a clear commercial rationale to this work, where we are able to leverage our leading businesses and global relationships to deliver results for shareholders and progress for society as a whole. To that end, we have announced a 10-year target of \$750 billion in financing, investing and advisory activity to nine areas that focus on climate transition and inclusive economic growth. We have created a new team, the Sustainable Finance Group, to partner with our businesses in executing on this ambitious mandate, delivering sustainable solutions consistent with our clients' long-term objectives.

Philanthropic capital also remains critical. We are focused on ensuring our efforts in this area are aligned with and accretive to our overall sustainability objectives. Our signature entrepreneurship programs *10,000 Women* and *10,000 Small Businesses* provide access to capital, mentorship and community for business owners around the world. Milestones in 2019 included *10,000 Women's* 10th anniversary of operating in China and the expansion of *10,000 Small Businesses* into Iowa, New Hampshire, and Ohio. Graduates of these programs take the knowledge they acquire and apply it to their businesses — creating jobs and driving growth in the communities where they live and work.

The Path Ahead

The year 2019 was a time to define our strategic plan and financial goals. At the turn of the calendar year, we had a clear-eyed view of our plan and shared it with stakeholders on Investor Day. Its essential elements are now in motion.

The Goldman Sachs of 2020 and beyond will still resemble the firm I joined in 1999 in terms of its core values, cultural attributes and its key businesses. The ethos of this firm is to put capital and ideas to work to expand the potential of organizations, accelerate global economies, and amplify personal prosperity. We are passionate about our role in the world. None of this has changed.

But our approach to the world and our mix of businesses are both progressing. In my 21 years with the firm, we have already seen a significant evolution. This is healthy and even vital to our success.

As we look to the future, we are committed to executing upon our long-term strategy, strengthening the market-leading positions of our core franchises, and investing for growth in new businesses and opportunities. As the current COVID-19 pandemic reminds us, however, the operating environment can shift overnight. This means that, regardless of market conditions, our focus must always remain on what has sustained Goldman Sachs over the last 150 years: our people, our culture, and above all, the evolving needs of our clients. In doing so, we are well-positioned to compete in the years ahead, and to deliver higher, more sustainable returns for our shareholders.



David M. Solomon

Chairman and
Chief Executive Officer

Our Core Values

We distilled our Business Principles into 4 core values that inform everything we do:

Partnership

Client Service

Integrity

Excellence

Goldman Sachs Business Principles

Our clients' interests always come first.

Our experience shows that if we serve our clients well, our own success will follow.

Our assets are our people, capital and reputation.

If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.

Our goal is to provide superior returns to our shareholders.

Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people. Significant employee stock ownership aligns the interests of our employees and our shareholders.

We take great pride in the professional quality of our work.

We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest.

We stress creativity and imagination in everything we do.

While recognizing that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry.

We make an unusual effort to identify and recruit the very best person for every job.

Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm.

We offer our people the opportunity to move ahead more rapidly than is possible at most other places.

Advancement depends on merit and we have yet to find the limits to the responsibility our best people are able to assume. For us to be successful, our people must reflect the diversity of the communities and cultures in which we operate. That means we must attract, retain and motivate people from many backgrounds and perspectives. Being diverse is not optional; it is what we must be.

We stress teamwork in everything we do.

While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the firm and its clients.

The dedication of our people to the firm and the intense effort they give their jobs are greater than one finds in most other organizations.

We think that this is an important part of our success.

We consider our size an asset that we try hard to preserve.

We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy and the esprit de corps that we all treasure and that contribute greatly to our success.

We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs.

We know that the world of finance will not stand still and that complacency can lead to extinction.

We regularly receive confidential information as part of our normal client relationships.

To breach a confidence or to use confidential information improperly or carelessly would be unthinkable.

Our business is highly competitive, and we aggressively seek to expand our client relationships.

However, we must always be fair competitors and must never denigrate other firms.

Integrity and honesty are at the heart of our business.

We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.

Notes about the Letter to Shareholders

Forward-Looking Statements

This letter contains forward-looking statements, including statements about our financial targets, business initiatives, and operating and interest expense savings. You should read the cautionary notes on forward-looking statements in our Form 10-K for the period ended December 31, 2019.

Footnotes

- 1 Based on cumulative, publicly disclosed investment banking fees since 2015.
- 2 Coalition institutional client analytics for FY2018. Institutional clients only. Analysis excludes captive and non-core products.