Operator

Good morning. My name is Dennis, and I will be your conference facilitator today. I'd like to welcome everyone to the Goldman Sachs First Quarter 2013 Earnings Conference Call.

After the speakers' remarks there will be a question-and-answer period. (Operator Instructions) Also, this call is being recorded today, April 16, 2013. Thank you. Mr. Holmes, you may now begin your conference.

Dane Holmes

Good morning. This is Dane Holmes, Director of Investor Relations at Goldman Sachs. Welcome to our first quarter earnings conference call. Today's call 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 factors that could affect the firm's future results, please see the description of risk factors in our current annual report on Form 10-K for our year ended December 2012.

I would also direct you to read the forward-looking disclaimers in our quarterly earnings release, particularly as it relates to our Investment Banking transaction backlog, capital ratios, risk-weighted assets and Global Core Excess. And you should also read the information on the calculation of non-GAAP financial measures that is posted on the Investor Relations portion of our website at www.gs.com. This audiocast is copyrighted material of The Goldman Sachs Group, Inc. and may not be duplicated, reproduced or rebroadcast without our consent.

Our Chief Financial Officer, Harvey Schwartz will now review the firm's results. Harvey?

Harvey M. Schwartz

Thanks, Dane, and thanks everyone for dialing in today. I will walk you through our first quarter results and then take your questions.

Net revenues were $10.1 billion, net earnings $2.3 billion, earnings per diluted share were $4.29 and our annualized return on common equity was 12.4%. Overall, a solid result. As we've talked about in the past, client activity levels are generally correlated to the broader macroeconomic environment. This certainly proved to be true in the first quarter as activity levels were mixed as the quarter progress. Early in the quarter, continued positive development from U.S. economy, specifically in housing and unemployment drove increased client activity and greater risk appetite. In January U.S. new home sales grew by almost 15% month-over-month, one of the largest month-over-month increases in the last two decades.

The U.S. nonfarm payroll report for February came in significantly higher than expectations with 236,000 jobs created versus expectations of a 160,000. In addition to driving increased client activity and risk appetite, these economic developments help support driving asset values. Most notably the S&P 500 was up by 10% and key credit indices, such as the LCDX and high yield CDX reached higher by more than 50 basis points. This created a back drop to generally improve liquidity and a more favorable environment managing client flows.

However, later in the quarter, market sentiment was mixed at political uncertainty in Europe and U.S. began to resurface. The Italian election and the situation in Cyprus added further complexity to the European outlook. Specifically its events like these that create uncertainty for market participants who struggle to understand the mechanism and approach for resolving sovereign issues within the Eurozone. Likewise in the U.S., our clients' focused on the potential negative impact to sequestration and the continued impacts related to budget negotiations.

In aggregate, as the quarter progressed, these concerns impacted both client activity and risk appetite. Client activity levels were mixed across our investment banking businesses during the quarter. Debt underwriting activity continued at the robust pace we experienced in the fourth quarter as corporate issuers took advantage of the low interest rate environment and strong investor demand.

Equity underwriting activity improved sequentially with higher issuance activity, but is still relatively muted by historic standards. And announced M&A volumes were down 37% sequentially. Macroeconomic uncertainty has been an understandable and consistent theme following the onset of the financial crisis and had quite naturally led many of our clients to approach strategic decisions with greater caution, as CEO confidence is such an important input to M&A and IPO activity, continued improvement in the macro environment will be a key driver of opportunity in these businesses. Regardless of the macro uncertainty, our people remain focused on serving our clients by providing them with superior advice and execution and of course the capital necessarily to meet their goals.

I'll now run through each of our businesses. Investment Banking produced first quarter net revenues of 1.6 billion, up 12% from the fourth quarter. First quarter advisory revenues were 484 million, down 5% sequentially.

Year-to-date, Goldman Sachs ranked first in worldwide completed M&A. We advised on a number of important transactions that closed in the first quarter, including the 21 billion Swedish Krona sale of Ahold stake in ICA to Hakon Invest. The $3.3 billion sale of select SuperValu assets to an investor group led by Cerberus Capital Management, and the $2.4 billion sale on McGraw-Hill Education to Apollo.

We're also an advisor on a number of significant announced transactions. These include the $23.3 billion sale of Virgin Media to Liberty Global, the $6.7 billion sale of Repsol's liquefied natural gas assets to Royal Dutch Shell, and the $2.6 billion acquisition by Orix Corporation of a 90% equity stake in Robeco Group. First quarter underwriting net revenues were 1.1 billion, up 21% sequentially, a record debt underwriting quarter with revenues up 17% to 694 million. In particular, this reflects significantly higher net revenues from leverage finance and commercial mortgage-related activity.

Equity underwriting revenues of 390 million were up 28% from the fourth quarter, reflecting an increase in IPO activity and secondary offerings. Year-to-date, Goldman Sachs ranked first in global equity and equity-related common stock offerings and IPOs. During the first quarter, there were several noteworthy transactions. Sinopec's 3.1 billion private placement ArcelorMittal’s $4 billion dual-tranche equity and mandatory convertible offering, and Intelsat’s $3.5 billion high yield offering. Our Investment Banking backlog declined modestly from year-end levels.

Let me now turn to institutional client services. Total net revenues were 5.1 billion in the first quarter. These businesses produced stronger results in the seasonally weak fourth quarter, driven by an overall improvement in activity levels and market sentiment. FICC Client Execution net revenues were 3.2 billion in the first quarter, significantly better than the fourth quarter. This quarter's results reflected a broad contribution across businesses. Rates reflected generally higher activity levels as clients reacted to the improved economic outlook at the beginning of the quarter.

Our credit business experienced solid client activity and a favorable market environment with strong issuance trends and generally tighter credit spreads. Mortgages continued to benefit from strong client demand, relatively limited new supply, and improving prices. Our currency business reflected higher levels of client activity. And finally commodity results improved from what was a relatively weak fourth quarter.

Turning to equities, net revenues for the first quarter were $1.9 billion. Excluding the $500 million gain from the sale of our hedge fund administration business in the fourth quarter, results were up 7% quarter-over-quarter. Equities client execution revenues were 809 million, up 6%

sequentially; commissions and fees were 793 million, up 10% from the fourth quarter on improved market volumes and generally higher market values in Europe and Asia. Excluding the one-time gain in the fourth quarter, security services net revenues of $320 million were roughly flat sequentially. With respect to risk, average daily VaR in the first quarter was $76 million, consistent with fourth quarter levels.

Let me now review Investing & Lending. We produced net revenues of $2.1 billion in the first quarter. Investing & Lending includes direct investing, investing we do through funds, as well as lending activities. These activities occur across a diversified set of asset classes including both equity and debt. Other equity investments generated net revenues of $1.1 billion, primarily reflecting gains from private equity investments.

This strong performance reflects higher global equity prices during the quarter as well as increases in fair value driven by company specific events. Net revenues from debt securities and loans were $566 million, driven by continued tightening of credit spreads as well as interest income. Our investment in ICBC produced a $24 million gain in the quarter, other revenues of $375 million were driven by the firm’s consolidated investment entities.

Switching over to investment management, we reported first quarter net revenues of $1.3 billion, down 13% from the fourth quarter due to lower incentive fees. Management and other fees were consistent with the fourth quarter at $1.1 billion. During the first quarter, assets under supervision increased $3 billion to $968 billion, primarily reflecting net market appreciation and net inflows in both fixed income and equity assets, partially offset by outflows and money market assets.

Now let me turn to expenses. Compensation and benefits expense, which includes salaries, bonuses, amortization of prior-year equity awards, and other items such as payroll taxes and benefits was accrued at a compensation to net revenue ratio of 43%, which is a 100 basis points lower than the firm’s accrual in the first quarter of 2011 and 2012. Over the past two years, we’ve focused extensively on cost reduction and efficiency efforts.

From the headcount perspective, total staff at the end of the first quarter was approximately $32,000, down 1% from the end of 2012 and 10% from year-end 2010. First quarter non-compensation expenses were $2.4 billion, significantly lower than the fourth quarter due largely to lower other expenses. In the fourth quarter, other expenses included higher litigation and regulatory expenses and higher charitable contributions. Non-comp expenses was essentially unchanged from the first quarter of 2012, and our effective tax rate was 33% for the first quarter.

In terms of capital, there are a number of items to cover with you. During the quarter, we repurchased 10.1 million shares of common stock for a total cost of $1.5 billion. These repurchases reflected the completion of our 2012 capital plan. We also recently amended the terms of our warrant agreement with Berkshire Hathaway to acquire net share settlement on October 1st of this year. At the end of the first quarter, our Basel 1 Tier 1 common ratio was approximately 12.7%. This includes the revised market rich framework that became effective on January 1st. Our estimated Basel III Tier 1 common ratio was approximately 9%, of course with all the caveats that the rule has not been finalized. During the first quarter, the Federal Reserve announced that it did not object to our proposed capital actions that as required by the Federal Reserve we will resubmit our capital plan by the end of the third quarter incorporating certain enhancements to our stress test processes. We intend to work closely with the Federal Reserve to implement these enhancements.

Before I take questions, let me close with a few summary thoughts. As I mentioned earlier macro uncertainty continues to be a meaningful consideration for the global marketplace. While the environment is slowly improving, there will clearly be bumps along the way. So despite an improvement in the outlook some uncertainty remains. Another uncertainty that has occupied investor’s minds is the potential impact of regulatory reform on our industry. While everyone would like clarity, it's natural for these rules to be developed over multi-year timeframes, especially given the complexity and the potentially significant ramifications for the global economy. As a firm we remain a constructive participant in these discussions.

We understand the importance of creating a safe financial system while meeting our client needs and supporting global economic growth at the same time. In light of the continued macro uncertainty, we’ve continued to stay focused on managing the firms risk exposures, capital usage and our expense base. It has allowed our people to be principally focused on serving our clients. We believe the combination of our operating discipline and our steady investment in our client franchise has us well positioned competitively. In addition, it has provided the firm with the opportunity to generate significant operating leverage as the environment improves.

Regardless of the operating environment, we will continue to rely on the strength of our client relationships, the diversity of our businesses, the caliber of our people, and the adaptability embedded in our culture to deliver superior results for our shareholders.

With that, I'd like to thank you again for listening today, and I'm now happy to take your questions.

Question-and-Answer Session

Operator

(Operator Instructions). Your first question is from the line of Howard Chen with Crédit Suisse.

Howard Chen - Crédit Suisse AG

Hello.

Harvey M. Schwartz

Hello, yes.

Howard Chen - Crédit Suisse AG

Hi, Harvey. I was hoping to get your takeaways on the 2013 CCAR now that it's all set and done, there was some disparity on the PPNR and stress ratios between you and the Fed, and I was just wondering how that impacts your view on capital planning or running that process internally if it does at all?

Harvey M. Schwartz

So when we think about capital planning, obviously first and foremost Howard, we think about making sure that we strike that careful balance between making sure that we have capital from a defensive perspective, but also we want it to be positioned for the opportunities for our clients, and we manage that process obviously dynamically as we go through. Specifically with respect to the CCAR, what I would say is we don't have visibility into their numbers. So, I really can't comment to any extent on the differences between our submission. I know when we go through our submission, we think about the event and we approach it from a very conservative framework. Did I answer your question, Howard?

Operator

Okay. And we'll move on to the next question. It's from the line of Glenn Schorr with Nomura. Please go ahead.

Glenn Schorr - Nomura Securities Co. Ltd.

Hi. How are you?

Harvey M. Schwartz

Fine, Glenn. How are you?

Glenn Schorr - Nomura Securities Co. Ltd.

All right. Curious with the market up so much and sluggish revenue backdrop across the industries and everything that we know about balance sheet and cheap debt, normally this would be a pretty good world for M&A, but of course there are some bigger overhangs out there. I'm just curious to see what you're seeing? You made a comment about pipelines, but as a general comment as you look out the next year plus why don't we have a better M&A backdrop? I mean that backdrop is good, why isn't there better M&A activity?

Harvey M. Schwartz

So, I think and I highlighted in my prepared remarks, I really think it's a question of we're very close still to the epicenter of the crisis at least in the context of history, right? And so people's memories are very fresh. And when you have periods of uncertainty, as I said bumps along the way, like events in Europe or big shifts in employment data and economic growth, it doesn't translate well when you think about CEOs who are making what obviously is the most significant decision they're making for the organization strategically. And so, I think it's going to be a bit of a lagging indicator, because it will be one of those things that when we really have stability and confidence, you'll start to see it come out of the pipeline. Having said that, obviously we feel really good about our position competitively in our M&A franchise, and it really is just a question of when activity picks up.

Glenn Schorr - Nomura Securities Co. Ltd.

Okay.

Harvey M. Schwartz

But I wish I could tell you when.

Glenn Schorr - Nomura Securities Co. Ltd.

I hear you. Investing & Lending, is there anything you can tell us in terms of much realized this quarter, I mean markets were up huge, so I would imagine that there were some gains along the way, but a lot of that is marks?

Harvey M. Schwartz

It really was in line with broad equity markets, so in the past, we have pointed you to the MSCI, and so there are going to be periods where we obviously outperform that because of the idiosyncratic nature of the portfolio on periods where we underperformed, but more or less in line.

Glenn Schorr - Nomura Securities Co. Ltd.

And you still -- there's a decent private component to it, so I'm assuming that there's still some big liquidity discounts used on the private positions?

Harvey M. Schwartz

I don't know that I'd say -- I do want to be careful about the word liquidity discounts. What I'd say that we're, as you would expect us to be very thorough in terms of how we mark the portfolio and as well as our orders, so yeah, these things will be in line with the market as appropriate.

Glenn Schorr - Nomura Securities Co. Ltd.

Understood. And then in commodities, I get the component of the business that would be weak due to just trending lower prices and less structured transactions. Is there anything on the regulatory front that's changing how you do business, how you think about the business going forward, or is it strictly a cyclical phenomenon right now closing the weakness?

Harvey M. Schwartz

No, there is nothing on the regulatory environment that's impacting the way we think about the business, specifically no, of course there are lot of rules to come, and so we will get more visibility in commodities and other businesses could be impacted as we see – as we get more transparency, but there is nothing in the regulatory aspects of it.

Glenn Schorr - Nomura Securities Co. Ltd.

Okay, excellent. Thank you, Harvey.

Operator

Your next question is from the line of Roger Freeman with Barclays. Please go ahead.

Roger Freeman - Barclays Capital, Research Division

Hi. Good morning.

Harvey M. Schwartz

Hey, Roger.

Roger Freeman - Barclays Capital, Research Division

Hi. The Volcker Rule presumably getting pushed out further, I guess, latest reports are not until sometime during the second half. How do you view that good or bad being the uncertainty lasts longer good as potentially better outcome?

Harvey M. Schwartz

I think in the end, it's all about quality rule making process. These are – and it's not just Volcker, these are exceptionally complex rules. So, these are obviously incredibly critical, not just with the financial institutions that will limit the rules, but really quite frankly more broadly in terms of their impact on the capital markets, and given the complexity, I think it's quite natural that these are going to take time to implement. And the regulators themselves -- it's a massive amount of work that they have to go through to get to a place to introduce these rules. So, I think this process in terms of the time it's taking, I think we would love to – I think everyone would like to have the final rule set in front of us, clients would certainly want that, we would want that, our constituents would want that, but I think it's very natural and on balance, I think if it improves the quality of the rule making, which to-date is what we've seen for example in clearing, I think it's a good thing on balance.

Roger Freeman - Barclays Capital, Research Division

Okay. And that BDC you're setting up, is that in anyway tied to sort of you or the regulatory outcome. It seems like that might be investing in things that SSG does?

Harvey M. Schwartz

No; not at all. That's very much just part of our asset management strategy where we're managing assets on behalf of our clients as a fiduciary. We obviously have asset core competence in there, credit risk management skills, so no this -- that has nothing to do with Volcker.

Roger Freeman – Barclays Capital, Research Division

Okay. And one another on the reg front, the -- I guess the first phase of the mandatory clearing has been effective over a month or so now, any comment on how that -- how that's going, and specifically anything or you can identify on activity levels like rate and CDS that's sort of separate from broader market impact?

Harvey M. Schwartz

No, as you know -- and we talked about this a lot in the past, we’re huge proponents of clearing, and obviously that comes with the caveat, the obvious caveat that as long as it is done safely, but in terms of as a mitigant to systemic risk, we think it ranks quite highly, and so we’ve been a huge proponent of it. I think just getting back to the earlier question, I think in terms of things that were delayed, I actually think the delay here was quite thoughtful, and I think the CFTC in their rollout plan by having the first rollout in March, a second wave in June. I mean that’s a very constructive way to approach the market because it gives clients an opportunity particularly the second wave appliance not the most frequent users an opportunity to adjust. And they have a lot of work to do. There are work flow issues, processes et cetera that go into this, and so I think it's been thoughtful. With respect to impact on business activity et cetera, I do think this is one of these things that as we gain more clarity, it definitely provides people the rules that they can operate in, they’re more willing to engage, but it's way too early to measure the impact.

Roger Freeman – Barclays Capital, Research Division

Okay, just lastly inventory levels across FICC, I think they were higher in the first quarter. Did they end at around the average of the quarter, any sort of kind of trends coming into this 2Q?

Harvey M. Schwartz

I didn’t hear the very first part of what you said. Did you say, is it inventory or activity?

Roger Freeman - Barclays Capital, Research Division

No, inventory levels.

Harvey M. Schwartz

No, no big trends. Nothing meaningful in terms of inventory.

Roger Freeman - Barclays Capital, Research Division

Okay. All right, thanks.

Harvey M. Schwartz

Thanks, Roger.

Operator

Your next question comes from the line of Michael Carrier with Bank of America Merrill Lynch. Please go ahead.

Michael Carrier - Bank of America Merrill Lynch

Okay. Thanks. Just on the OTC side, you've just given out we're starting down that process. If you think about the different users in the market, so like corporates, pensions, asset managers, hedge funds and if you look at the increased margin requirement, when they're thinking about alternatives, meaning using a future versus an OTC contract, is there something that Goldman or the deals, particularly on that margin, are disadvantaged? Is there something that you can provide to make that less of an issue, so maybe like on the collateral management side, just trying to figure out because it seems like there's going to be some users that there will be more incentive to try to use an alternative if they don't have the hurdles like hedge accounting, but I don't know if on the dealer side if there's something that you can provide to kind of ease that burden?

Harvey M. Schwartz

Yeah, I think that when -- first of all, I would say the following. We in the industry have lived with uneven requirements in terms of whether its margin or a capital standard and so some of these things are going to run like this. I think as we get the full view of everything that's out there, I think that the regulatory community and all of our as participants will then have to view the extent of which there's differences and understand whether or not those incentives are actually the right incentives in terms of reducing systemic risks because remember, the overarching objective here is to reduce systemic risks and that's again I'd go back to my earlier comment about clearing. So you don't necessarily want to have significantly different collateral requirements for essentially the same type of risks, because then you can get some unwanted incentives. Now having said and putting that aside for a moment, our clients are driven by the long-term incentive goal so they're going to make the best choice they can for executing and at times, collateral maybe a more significant component of their thought process; other times other issues will guide how they execute.

Michael Carrier - Bank of America Merrill Lynch

Okay, makes sense. And then just on the market share opportunity, there's a lot of stuff that's shifting around whether it's the increased cost or regulation on the fixed income side, you guide different roles on comp coming out of Europe, maybe foreign entities in the U.S. having different capital requirements going forward. When you got to size up just given the competitive landscape in the different product areas, how much market share opportunity do you think is kind of shifting around and potentially up for grabs over the next, call it one to two years?

Harvey M. Schwartz

So it's a great question. It's a difficult thing to quantify. And so strategically the way we approach it is making sure that, and let's just take for example the security division, if you think about the diverse nature of that business, what you really need to be successful in terms of having scale, but awesome ability to deliver the full range of services to your clients, so whether it's commodities or interest rates or prime brokerage, executing blocks of equities. So furthermore you need to be at scale in this market environment because trying to build I think the headwinds are hard given the activity levels we feel like we are at scale and feel quite good about our position both within those individual businesses but of course geographically also. So I'll have to see over the next several years, but it feels like there's reasonable market share opportunity given the environment, because as I said that's leader in some of these businesses, I think it's a difficult time to build.

Michael Carrier - Bank of America Merrill Lynch

Okay, all right. Thanks a lot.

Operator

Your next question comes from the line of Betsy Graseck with Morgan Stanley. Please go ahead.

Betsy Graseck - Morgan Stanley

Hi, good morning.

Harvey M. Schwartz

Hi, Betsy.

Betsy Graseck - Morgan Stanley

A couple of questions. One on the reinsurance business, you broke that out which is helpful. Just wanted to understand what kind of impact that has on capital relief when that deal closes?

Harvey M. Schwartz

So in the insurance business, we're in the midst of the sale process. So if it's okay, Betsy, I will come back to you with that when the sale process closes.

However, as we go through the new capital rules, the driver here was as I mentioned earlier, the amount of capital that business attracts under the new rule set. And so we like that business, but under new capital rules its really better held in other people's hands and so it just felt like it was appropriate to move forward the sales process, but as it completes we will certainly update you with more info.

Betsy Graseck - Morgan Stanley

Okay. And then you've in the past outlined opportunities for active and passive RWA mitigation, is there any changes at all to the outlook over the next year or two?

Harvey M. Schwartz

No, there are no changes in the outlook. Obviously, we continue to focus on it very closely and I talked about the tools that we've been rolling out, that will continues on schedule. So we just continue to work through the process.

Betsy Graseck - Morgan Stanley

Okay. Because it just looks like maybe there wasn't as much this past quarter is in average what you suggested. Is that fair or …?

Harvey M. Schwartz

No, I wouldn't necessarily say that, but I think it – I think its hard to look at it in a quarter-over-quarter period. I think we've to look at over longer periods, but we're comfortable with our progress.

Betsy Graseck - Morgan Stanley

Sure. Okay. And do you give details just on numerator-denominator on the Basel III, the RWAs for example?

Harvey M. Schwartz

No, we've not.

Betsy Graseck - Morgan Stanley

Okay. Thanks.

Operator

Your next question is from the line of Matt O'Connor with Deutsche Bank. Please go ahead.

Matthew O'Connor - Deutsche Bank AG, Research Division

Good morning. Its like a follow-up with a couple of questions on the commodities business, there was a blurb last week that you might be selling the metals warehousing unit, I was just wondering if there was any comment you could provide on that?

Harvey M. Schwartz

No, we have no comment, although the only thing I would say that, I don’t want those things come out and they’re picked up in the press, they often have not knock on question that relate to our commitment to commodities or anything like (inaudible) we got into that business in 1981 and have invested a huge amount in being a market leader, so we’re very committed to that business.

Matthew O'Connor - Deutsche Bank AG, Research Division

And then just related to just commodities pricing that we’ve seen in the last couple of days, obviously a lot of volatility and maybe its too early to know, but is this potentially good for the business because maybe volumes increase or bad because there was just too much volatility or again maybe too early to know.

Harvey M. Schwartz

Well, its definitely too early, but it's really a question of degree of volatility and causes. I think some of the volatility we have seen particularly in commodities it looks more like liquidation of crowded positions. So, I wouldn’t read too much into it. And in all the time investors will digest the information and then that will translate these either into expanded client activity or not. But I think in the near term the action is what I said, mostly liquidation.

Matthew O'Connor - Deutsche Bank AG, Research Division

Okay. And then just separately some other firms have talked about structured products being a little bit better in 1Q and I would assume that’s somewhat broad based, but any thoughts on what's driving that, is it just as clients look for yield or optimism over the economy or a combination of both?

Harvey M. Schwartz

Yeah, I can’t comment on anything else, any of what the competitor said. What I would say is that and you certainly see it in terms of yield activity and it was reflected in the quarter in respect to both issuers -- the opportunity issuers have to issue and obviously investor appetite as people search for yield.

Matthew O'Connor - Deutsche Bank AG, Research Division

I guess any thoughts on, I mean rates have been so low for so long and obviously this is broadly an area that's been fairly quite and it seemed to pick up quite a bit at 1Q so it just seems like rates have been low for a while and it was a combination of that in the economy or?

Harvey M. Schwartz

Well there's certainly, there's certainly a cycle of reinvestment that's occurring. I think back to last year a capital committee we were reviewing financing opportunities for our clients, committing capital, bringing things to market and many often – many times those same clients were back six to nine months later in a position to refinance because of the compression of credit spread and the market appetite. But if you're asking me when that will change, that's a question I definitely don't ever view on and I can guarantee I'll do wrong.

Matthew O'Connor - Deutsche Bank AG, Research Division

Okay. Thank you very much.

Operator

Your next question is from the line of Mike Mayo with CLSA. Please go ahead.

Harvey M. Schwartz

Hi, Mike.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Hi. So your prior ROE target was 20%. You haven't given a new target I don't know. You were 12% this quarter. Can you just give us some sense what sort of ROE you guys would hope to have over several years?

Harvey M. Schwartz

So with respect to the ROE, it's an important question Mike and we still don't have enough information in terms of capital rules, all the regulatory activity to give you a view. What I will tell you is that we remain very focused on our returns, both on our relative and absolute basis and certainly in the way that we're deploying and managing the balance sheet.

Michael Mayo - Credit Agricole Securities (USA) Inc.

And you said your Basel III tier and common ratio was about 9%. With your passive strategies if they were all done today, what would that 9% ratio be?

Harvey M. Schwartz

We haven't updated that, Mike.

Michael Mayo - Credit Agricole Securities (USA) Inc.

Okay. And I guess -- I won't get an answer to the active strategies either. I'm just trying to figure out how much potential there is with both the passive and the active strategies for managing the risks with the assets to create a whole lot more capital, because it seems like you're willing to buyback a lot of stock here. You bought an average price of $150, the stocks below there, so why not be even more aggressive I guess?

Harvey M. Schwartz

Well, with respect to capital, first of all, in terms of the ratio, you're going to see the work as we do it. So we want to present it to you. I'm sure there's a whole lot of value for guessing it. In terms of how we think about share repurchase and how managing the capital dynamically from quarter-to-quarter, we're going to make adjustments as we work through. And so if we think the best use of our capital is to return it, we'll do that. And if we think it's best to deploy in the business, we'll do that.

Michael Mayo - Credit Agricole Securities (USA) Inc.

And then just lastly a separate question. In terms of rightsizing the business, how do you know if you've downsized too much you or your competition? Some are cutting a lot more than others and how do you know what's the right amount when you've cut too much?

Harvey M. Schwartz

Right. So that's a great question because if you look back over the past two years, in some respects if you knew you were going to end up down 10% in headcount, you would have rather done that on day one rather than take two years to do it, okay. We don't have a crystal ball. This is a really important strategic point about how we have to think about the business. First and foremost, we need to be there for our clients in all aspects of our business; Investment Banking, Asset Management, Securities Division. And so we can't shape the opportunities, instead we can only shape how we respond and compete with other market participants. And so we're constantly reviewing it and that's why you've seen us take the steps that you've seen us take. Right now for the current environment, we feel quite comfortable. If the opportunities had expanded and the environment can improve, you could see us deploying more resources and likewise. If the environment was to trend downward, I think you'd see us responding there too of course.

Michael Mayo - Credit Agricole Securities (USA) Inc.

All right. Thank you.

Harvey M. Schwartz

Thanks, Mike.

Operator

Your next question is from the line of Guy Moszkowski with Autonomous. Please go ahead.

Guy Moszkowski - Autonomous Research LLP

Good morning. So I'm looking at your FICC revenues, if I adjust them for DDA year-over-year and I look at the percentage change. You're down about 9% and the couple of big peers that have reported so far are also down but more like mid-single digits. You've identified the drag on the year-over-year comparison as being rate products, but I would expect that some of those other guys who are more sort of big banks would have been maybe more by that just based on mix. Are we still seeing a process of [assessment] to your business mix towards the new regulatory realities and can you comment maybe on the revenue mix between cash and derivative instruments on a year-over-year basis?

Harvey M. Schwartz

Those quarter-over-quarter numbers we don't view those as a big deal. There is -- I don't think there's a lot of information in there. If the numbers were completely reversed, I wouldn't be pointing -- I wouldn't be pointing you to that as a material item. There's going to be noise in the numbers back and forth and we feel quite comfortable with the position of our FICC business. But again just a problem that a little bit, you talked before about the opportunity relative to the some of the issues that a lot of the European banks are facing and I believe that Goldman Sachs should be able to actually benefit pretty meaningfully from some of that. Is that something that we’re going to see longer term and again I'm going to come back to this idea that given that you're seeing some change in the regulatory environment because of the change in OTC protocols and everything else, are you making changes to your business in the short-term debt or that are driving short-term revenue contraction and preparing yourself for some of these market share opportunities longer term or is there is something else that I'm kind of missing here, as I tried out to figure out what's going on?

Harvey M. Schwartz

Yeah, so – okay, it is a very important question, so I want to make sure I'm clear on that. So, in terms of again the quarter-over-quarter I don't think there is a lot of read through for you there. I think in terms of the opportunities that as it relates to the – to regulatory issues, really difficult to speculate on for example the impact of clearing swap execution facilities we don't have yet and many of the rules are still outstanding. If you ask me I think as you get more clarity rule set, clients respond well to that. Now with respect to how we adjust, this is the strategic issue. You can – and I covered this, I don't know, if you saw I covered this a bit at the Credit Suisse conference back in February, but one of the things that we've found is that trying to anticipate rules can be quite costly and you can make major mistakes. The mortgage business being a really concrete example of when you first saw the Notice for Proposed Rulemaking for mortgages a couple of years ago versus responding to final rules. So, you're not seeing us dial down or up our businesses in anticipation of rules. With respect to market share opportunities, those are all always in my experience multi-year events and they will play out over time.

Guy Moszkowski - Autonomous Research LLP

Okay. That's actually very helpful. Thank you.

Operator

Your next question is from the line of Matt Burnell with Wells Fargo Securities. Please go ahead.

Matthew Burnell - Wells Fargo Securities

Good morning, just a couple of I guess relatively quick questions. We've heard from a couple of your competitors that the client activity levels over the course of the first quarter was sort of strongest in the first -- earlier part of the quarter, weakest or absent in March. I guess I'm curious given that your assets were up about 11% quarter-over-quarter, but borrow was stable. Can you give us a sense as to sort of what your activity levels were over the course of the quarter and what the level of I guess, conversations were in the advisory businesses over the course of the quarter?

Harvey M. Schwartz

So client activity as I said in my prepared remarks was – it was more active really in the first month of the quarter and then it slowed down a bit in March based on just the data that came through. And what we have seen is that clients whether it's in the advisory business or those on the investing side are obviously very sensitive to data and information. And so for example as issues started to come back more on to front screens as it relates to issues in Europe, clients obviously pulled back towards the end of the quarter. But I would say that overall the trend in terms of outlook feels like it's continuing to improve steady, but it's not going to be a straight line from here to there and so our strategy during this time period obviously is to stay extremely focused on our clients. It is an environment where there is, you can really compete on content with your clients because there is uncertainty that you're dealing with.

Matthew Burnell - Wells Fargo Securities

Right. And then just back on a quick question on I&L, can you – given the strong performance of the markets in the quarter, did that incent you to potentially accelerate a bit of your realizations in the first quarter given the strong performance of the markets or was that pretty much at steady state?

Harvey M. Schwartz

It's always going to be a function of the market and idiosyncratic events, and obviously I said there was a correlation. But there aren't things – we don't look opportunistically and the market will give us opportunities.

Matthew Burnell - Wells Fargo Securities

And I guess just back to VaR, given the volatility in the market of Cypress in March, did that have a meaningful impact on VaR over the course of the quarter?

Harvey M. Schwartz

No. With respect to VaR over the quarter, it was virtually unchanged from the fourth quarter…

Matthew Burnell - Wells Fargo Securities

Right.

Harvey M. Schwartz

Well, you see a bigger drop is from first quarter last year to this year, but that's virtually all driven by market volatilities.

Matthew Burnell - Wells Fargo Securities

Okay. Thank you.

Harvey M. Schwartz

Thanks.

Operator

Your next question is from the line of Brennan Hawken with UBS. Please go ahead.

Brennan Hawken - UBS Investment Bank

Good morning.

Harvey M. Schwartz

Morning.

Brennan Hawken - UBS Investment Bank

So a question on the competition for talent here and maybe potential impact on expense flexibility. Could you give us some color on what you're seeing so far and maybe where you guys trying to signal something in that regard with the moderate drop in comp ratio? I know where you guys peg it in the first nine months, it almost turns out to be arbitrary given how big the fourth quarter delta is, but was that something you were trying to get across?

Harvey M. Schwartz

No. In terms of talent, quite frankly it feels like one of the better market environments we've seen in quite a long time. Our ability to acquire and add people to our team seems pretty good. And in terms of attrition, attrition is very manageable. And it's not reflected at all in how we think about the competition ratio.

Brennan Hawken - UBS Investment Bank

Okay. And then a follow-up on Howard's question. Is there any color you can give on the resubmission process, how those discussions are going with the Fed? Maybe any granular specifics about what drove that request and such?

Harvey M. Schwartz

So we don't have any color yet and to the extent which we can share it over time, we will. Of course, it's supervisory level data but whatever we can share over time, we will. What I will say is that as a firm that invested a lot of time and energy both in terms of analytics but culturally around risk, we always look for opportunities to learn. And so we'll work closely with the Fed or with the Federal Reserve over the next six months. And we look forward to enhancing any process changes we make.

Brennan Hawken - UBS Investment Bank

Okay. And I guess following up on that the idea of learning is we're going through this. Given that we now are starting to see the impact of the stress test as we move closer to Basel III and some of these rules start getting implemented and included in stress test, do you continue to think that firms with large comps or global investment banks running with about a 10% tier 1 common ratio is realistic, or do you think that it might end up working out higher than that given how the stress test process has been going so far?

Harvey M. Schwartz

I think it's too early to tell and I do think -- but what I will say is the stress test is a really good concept and quite frankly it there was a version on the stress test prior to the crisis, maybe it would have had some mitigating effects in terms of the crisis. But it's evolutionary and it's complex, and so we'll have to see how it evolves.

Brennan Hawken - UBS Investment Bank

Okay. And then last one from me is just sort of a net question. Incentive comp in investment management stood out as pretty high particularly given it's the first quarter. Was there anything specific behind that or were it just the strong markets?

Harvey M. Schwartz

No, I think you're referring, sorry, just to incentive fees…

Brennan Hawken - UBS Investment Bank

Yup.

Harvey M. Schwartz

No, there was….

Brennan Hawken - UBS Investment Bank

I'm sorry, yeah, incentive fees.

Harvey M. Schwartz

Yeah, I'm sorry, it's okay. No, nothing specific to highlight for you.

Brennan Hawken - UBS Investment Bank

Okay. Thanks a lot.

Harvey M. Schwartz

Thanks.

Operator

Your next question is from the line of Christopher Wheeler with Mediobanca. Please go ahead.

Christopher Wheeler - Mediobanca Securities

Yes, good morning. Three questions if I may. The first one is on the VaR, just interested in the increase in the currency and rates. Obviously -- and anyway you don't normally see too much movement, but you seemed to have seen the increase there. Perhaps give us some background on that? Second question is on revenue mix. I think 59% of the revenues last year in the United States, I wondered if you could give us a flavor for whether that has changed much in the first quarter, given obviously how rather more vast the U.S. markets were? And then finally just to follow-up really on that question on the realizations in I&L on equities, because I think you had about 120 billion of Basel III [RWA] in the end of the year and I wondered had that moved a great deal on the back of the gains you've made, and really what sort of progress you want to make on that over the next 12 months? Thank you very much.

Harvey M. Schwartz

Okay. So, let me make sure, I rattle through those. So, on VaR, so as you know, VaR is measured with a lag. Our VaR I think relative to competitive reason we're heavily weighted to the more recent observable time period, so about 50% of the contribution. But there is nothing meaningful in those shifts and they reflect generally speaking client activity and obviously the result in position. So there is nothing meaningful about VaR. The more – I think more significant observation that everybody should take away with the one I made with respect to last year versus this year, and that as market volatility is increased I think you can easily see increasing VaR over time, but perhaps with the same position profile. So people shouldn't be – we're certainly not lulled into any complacency as a result of the fact that the VaR signal is low because that's mostly driven by market volatilities. With respect to your second question on business mix, its nothing significant we would highlight for you there obviously as you would expect activity in Europe towards the end of the quarter a little more impact, a little more impacted but it really just natural outcome of client activity. And so where you see uncertainty, client activity obviously is going to be impacted. But I wouldn't say that the mix is used materially. When you asked a question on I&L, your last question …

Christopher Wheeler - Mediobanca Securities

Yeah.

Harvey M. Schwartz

… you had – I think also a question on I&L, we're going to continue to manage that business as we have in the past and so that is obviously about investment selection, but that includes obviously the lending activities, the debt and equity, so it's a diversified portfolio, its diversified geographically and so, we will continue to manage that business we have in the past. So nothing really to comment there.

Christopher Wheeler - Mediobanca Securities

Thank you very much. Thank you.

Harvey M. Schwartz

Sure.

Operator

Your next question is from the line of Douglas Sipkin with Susquehanna. Please go ahead.

Douglas Sipkin - Susquehanna Financial Group

Yeah, hi, good morning. Two questions. First, can you just sort of update us on the framework or thinking around capital usage at this very point, obviously you've talked about capacity coming out of some businesses. The stock is at about $143. You have a pretty significant authorization, so any change in the philosophy there? Or is it sort of – should we be thinking about the 2012 dynamic? And then on the Asset Management side, I know – not mentioned yet, but it did look like you guys had one of your better quarters in a while with respect to some long-term flows and I'm just wondering if there was anything you guys could attribute that to? Thanks.

Harvey M. Schwartz

Sure. In terms of capital no there is nothing there and with respect to -- asset management we obviously continued to stay very focused on performance and improved performance always attracts client flows and we're still missing that.

Douglas Sipkin - Susquehanna Financial Group

So if I could just follow up at the first question I guess, when we think about repurchase activity I mean the framework for 2012 is a reasonable framework for '13, is that a fair statement?

Harvey M. Schwartz

I wouldn't extrapolate 2012 into 2013, because it will be based on the environment and so if we see continued improving opportunities which again will be driven by our clients then we may deploy capital into the business and it's a balance.

Douglas Sipkin - Susquehanna Financial Group

Got you. Okay, great. Thanks a lot.

Harvey M. Schwartz

Thanks.

Operator

Your next question is from the line of Fred Cannon with KBW. Please go ahead.

Frederick Cannon - KBW

Hi, so I just had a follow up on the BDC issue on the Liberty Harbor, I was wondering if you might be able to kind of size the opportunity there in terms of growth you mentioned it as part of kind of an asset under management and also if that's part of a broader strategy to kind of attack mid-size firms?

Harvey M. Schwartz

Well it's not a strategy to sort of be targeted against any firm. It really is just again what I said earlier about the point our compensations, the opportunities that we feel our clients are interested in and would benefit from. And so, we'll have to see how the business grows over time but of course this will be a multi-year effort. And I think it really gets to the point that we're always looking for opportunities and new products to introduce that our clients want to utilize.

Frederick Cannon - KBW

Okay. And then just another – one other follow-up by, you've addressed a lot of the issues about the U.S. regulatory environment. I was wondering if you could comment on some of the issues going on in Europe particularly the push for a financial transaction tax.

Harvey M. Schwartz

So of course we're monitoring all that and we'll engage with regulators in terms of discussion, of course it's unclear at this point exactly how this will ultimately be adopted so it's really not possible at this stage to ask me to give a little impact. I guess I would say that when evaluating any of these rules, all the market participants, obviously we all have a huge obligation, regulators and clients and ourselves to make sure that we strike the right balance because we want to make sure that we're insuring that the best capital markets are build with proper liquidity and so these are important things.

Frederick Cannon - KBW

And then along those lines, I guess I would just kind of follow-up is, is there any sense of kind of where regulation seems to be headed to be the most ownerless, whether it's Europe or the U.S. or does it feel like it's the same kind of across the globe?

Harvey M. Schwartz

No, I don't know if I'd say ownerless. I think I'd say that if there was a consistent pattern, I think generally speaking for the rules that have been proposed versus how they've been finalized, they generally start in one place. There's been engagement with market participants and they generally have migrated to a place that's better for the capital markets.

Frederick Cannon - KBW

All right. Thanks so much.

Harvey M. Schwartz

Sure.

Operator

Your next question is from the line of Fiona Swaffield with RBC. Please go ahead.

Fiona Swaffield - RBC Capital Markets, LLC

Good morning. I just have two quick questions. One was on the issue of Basel III where I'm struggling to reconcile what's happened with the new market risk rules. It looked to me like it came in a bit better, because you talked about 350 basis points of improvements and I thought I'd see that in the [RWAs] under Basel III and I wondered if you could talk about why that's not the case? And the second issue is just if you have any comments on security services just in terms of year-on-year, there a seasonal impact or is there anything in particular you wanted to note? Thanks.

Harvey M. Schwartz

So on the second question, nothing in particular to note. The only other thing I would say with respect to the ratios, you're right, reference what we -- I think you're referring to what we put in the 10-K. And so it was in the 10-K. So obviously the performance for the quarter and also we received some feedback from the Fed despite the numbers which improved them.

Fiona Swaffield - RBC Capital Markets, LLC

But then what I can't quite understand is why we didn't see that in the Basel III number because obviously it's part of the components?

Harvey M. Schwartz

No, well, I did say approximately, so I'm not going to specific guess the number but it is improving there as well.

Fiona Swaffield - RBC Capital Markets, LLC

Okay. Thanks.

Operator

Your next question is from the line of Jeff Harte with Sandler O'Neill. Please go ahead.

Jeffrey Harte - Sandler O'Neill + Partners, L.P.

Hi, good morning. Kind of a macro thought question thinking about the FICC revenue outlook and I guess I'm specifically thinking we've been waiting for higher margin businesses like mortgages to pick up for a while. Now that we're seeing it, we're actually kind of seeing thick decline but I had a little trouble balancing between the importance of larger what I usually think of as being lower margin businesses like rates versus the smaller of a typically much higher margin businesses like mortgages?

Harvey M. Schwartz

So as the activity picks up, obviously you're going to see it. But I think the key for us is the diversity of the franchise. And so as I said earlier, we just want to make sure strategically that -- and we're far from perfect and there's always work we can do on improving our businesses and we stay very focused on that. But we want to make sure that we're positioned within each one of the businesses where we really get the benefit in a market environment like this is the diversity both within products but also geographically.

Jeffrey Harte - Sandler O'Neill + Partners, L.P.

Should we kind of sitting here today be happy because we see mortgages picking up or should we be more concerned that rates are probably not going to hit the revenue levels that is did historically?

Harvey M. Schwartz

We don't. I don't know if I'll describe it as happy or sad. I think again we have to -- we don't create the environment, we just have to make sure we're best positioned for our clients to respond to it. So for example right now as you point out and I mentioned in the earlier comment, a bit improvement in housing. There's also been investors desirous of yield and so you see things starting to turn off in terms of the mortgage business, but it may not correlate for example with the rate business which is why I highlighted the diversity aspect. It will be the case -- we don't expect necessarily very frequently all the cylinders to fire at the same time.

Jeffrey Harte - Sandler O'Neill + Partners, L.P.

Okay. And as we're thinking about comp expense, what should we -- and this may have been touched on but what, if anything, should we read into a year-over-year decline in the accrual ratio, despite I&L actually being a smaller portion of revenues year-over-year, I mean should we be looking for continued comp expense efficiency-driven improvements going forward?

Harvey M. Schwartz

No, there are no change to the way we thought about the compensation ratio this year versus prior years and just to be thorough as you know and we talked about this a lot, it's driven by performance other issues the competitive dynamic and what's happening in a broader environment and in the end it's our best estimate. Now what I would say is that certainly the expense efforts that, and the controlled efforts we put in over the past two years give us some degree of flexibility and that's represented in the number.

Jeffery Harte - Sandler O'Neill & Partners

Okay. So your best estimate now is lower than your best estimate a year ago and can I paraphrase to say that's at least partially structurally driven, as opposed to business mix driven?

Harvey M. Schwartz

I think about it that exactly, I think that's fine.

Jeffery Harte - Sandler O'Neill & Partners

Okay. Thank you.

Operator

Your next question is from the line of Eric Wasserstrom with SunTrust. Please go ahead.

Eric Wasserstrom - SunTrust Robinson Humphrey

Thanks. Harvey, I just wanted to return to the VaR issue. Most of my questions have already been answered, but you made a comment, I just want to make sure I understood it, which was that – that we should directionally expect the VaR dollars to increase but in a similar mix of categories. Is that correct?

Harvey M. Schwartz

So what I was trying to say was the following. So, there's obviously multiple inputs that go into the VaR calculation. One dominant factor obviously is market volatilities that we experience during the process. So, for us there's a bit more of a waiting towards the more recent time period, roughly 50% of the VaR calculation is impacted by the last three month volatilities and so when we saw what I was trying to was just draw a line under the 95% from last year, I think it was down to 76% this quarter and that is coming mostly by drop – a decline in implied volatility in the market place.

Eric Wasserstrom - SunTrust Robinson Humphrey

Okay.

Harvey M. Schwartz

Not from position change and what I was really saying was it wouldn't surprise me at some point the volatility will increase, who knows. It could be soon, it could be a long time from now. But I also wouldn't read too much into my comment.

Eric Wasserstrom - SunTrust Robinson Humphrey

Okay, so I guess the real crux of my question now is that it sounds like based on what you're seeing from client activities that this trend VaR profile would remain pretty consistent without any changes in broader volatility?

Harvey M. Schwartz

That's too hard for me to predict, I mean if you're basically saying the second quarters were exactly the same as the first quarter it might look like that, but I think clients are going to drive activity as they always do and it's a dynamic world.

Eric Wasserstrom - SunTrust Robinson Humphrey

Great. Thanks very much.

Harvey M. Schwartz

Thanks.

Operator

Your next question comes from the line of Chris Kotowski with Oppenheimer & Co. Please go ahead.

Harvey M. Schwartz

Hi, Chris.

Christoph Kotowski - Oppenheimer & Co. Inc.

Yeah, hi. I just wanted to see if I could pin you down on the compensation question with a little bit more specialties at the end. Should we read into that decline that the Goldman Sachs Company is dedicated to achieving positive operating leverage, in the sense that if revenues are flat to up by when we see the fourth quarter number the compensation ratio should be slightly down.

Harvey M. Schwartz

Yeah, I don't want to attach too much to the compensation ratio itself. What I would think was that, you should a 100% assume that in all aspects of our business we're always looking for operating leverage. And at the same time we're making sure we find that balance between how we compete for talent, compete against our competitors in Uruguay and most importantly how we serve our clients.

Christoph Kotowski - Oppenheimer & Co. Inc.

Okay, fair enough. Thank you.

Harvey M. Schwartz

Thanks.

Operator

Your next question comes from the line of Jim Mitchell with The Buckingham Research. Please go ahead.

James Mitchell - The Buckingham Research

Hi, good morning. Just one follow-up on the derivatives reform, with the May 1 deadline looming for signing up clients with for them to register for swaps trading. Do you see that as an issue in terms of activity levels? Do you think it gets extended, how do you think of – how should we think about that impact this quarter?

Harvey M. Schwartz

So this is again one of these things that's really, really difficult to predict and so we'll monitor and -- one other things that we've learned in terms of regulatory changes and market structure changes is that, the key is lessen our predicting effort outcomes and more about responding to them. And so we have a long history of adapting and so as these rules become [live], we're going to have to adapt as our clients. And we'll have to adapt better than our competitors. Historically, we've been good at that but we'll have to deliver in the future.

James Mitchell - The Buckingham Research

Fair enough. Maybe taking a little bit of a longer term view as you get more prepared for and moving things to clearing and increasing electronification of FICC, do you see offsets here? What's your view on how expenses react to greater electronification and should that offset, I guess, most people's view of declining revenues in that type of environment?

Harvey M. Schwartz

So again, difficult to predict so I think it's better to look at history of the guide. The electronification of FICC has been obviously happening for a number of years. You go back to early part of 2000 with the advent of trade web and government bond and then simultaneously the foreign exchange markets. So, electronification is not new to us, even FICC and obviously equities broadly. And so it's for us, the electronification I think is a bit of a muscle memory issue and of course as you know, we think we have some competitive advantage given than we have one platform in (inaudible) which when will it become final and as markets become more electronic, a lot of this is about speed and ability to adopt new procedures and respond because that's what our clients need. And so with respect to the forward, obviously there's some operating efficiencies that can be gained. You may get new revenue development and new products, but I think those things are much harder to forecast. You really have to look at our experience in terms of how we're done it.

James Mitchell - The Buckingham Research

So I guess if we look at equities, it did seem like you had following more electronic, moved to commission you had less volatility and better returns. Do you think that that's a logical outcome for fixed income as well?

Harvey M. Schwartz

Again, like I said, I think if you look at the case study and we didn't -- and Dane I think can walk you through more specific examples offline. But if you look just at us, case study of equities, foreign exchange, government bond trading, et cetera, I think our history is good but we have to execute.

James Mitchell - The Buckingham Research

Okay, fair enough. Thanks.

Operator

At this time, there are no further questions.

Dane E. Holmes

Great. This is Dane Holmes. I'd like to thank all of you for joining us for our first quarter earnings conference call. If you have any additional questions, please feel free to contact the Investor Relations department. Otherwise, enjoy the rest of your day.

Harvey M. Schwartz

Thanks very much everybody.